103

OCS PRODUCTION SAFETY, POLLUTION PREVENTION AND RESPONSE

Y 4.M 53:103-22

OCS Production Safety, Pollution Pr...

ARING

FORE THE

SUBCOMMITTEE ON
COAST GUARD AND NAVIGATION

OF THE

COMMITTEE ON
MERCHANT MARINE AND FISHERIES
HOUSE OF REPRESENTATIVES

ONE HUNDRED THIRD CONGRESS

FIRST SESSION

ON

OIL AND GAS EXPLORATION AND PRODUCTION IN THE GULF OF MEXICO AND HOW TO PREVENT AND RESPOND TO OIL SPILLS

APRIL 26, 1993—NEW ORLEANS, LA

Serial No. 103-22

Printed for the use of the Committee on Merchant Marine and Fisheries

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OCS PRODUCTION SAFETY, POLLUTION PREVENTION AND RESPONSE

MONDAY, APRIL 26, 1993

House of Representatives
Subcommittee on Coast Guard and Navigation,
Committee on Merchant Marine and Fisheries,
New Orleans, LA.

The Subcommittee met, pursuant to notice, at 9:20 a.m., in the U.S. District Courthouse, Courtroom C-268, 500 Camp Street, New Orleans, Louisiana, the Honorable W.J. (Billy) Tauzin (Chairman of the Subcommittee) presiding.

Present: Representatives Tauzin and Hochbrueckner.

STATEMENT OF THE HON. W. J. (BILLY) TAUZIN, A U.S. REPRESENTATIVE FROM LOUISIANA, AND CHAIRMAN, SUBCOMMITTEE ON COAST GUARD AND NAVIGATION

Mr. Tauzin. The hearing will please come to order.

Judge Sears has just left the room, but let me officially thank him for the courtesy of his chamber for this hearing. I want to welcome the members of the Subcommittee to one of the most beautiful and unique cities in the country and to a state that is truly blessed with an abundance of natural resources that we are indeed committed to protecting.

I call this field hearing to bring greater attention to the concerns that we share in protecting the Gulf of Mexico, this great body of water that provides such bounty for our citizens. On Friday, our Subcommittee and the Oceanography Subcommittee were in Corpus Christi, Texas, where we heard from numerous Federal agencies about their efforts to protect the Gulf of Mexico and to provide funding for environmental protection programs for research to keep the Gulf healthy.

I believe it is very important the Committee conduct field hearings such as these, so we can get beyond the granite walls of Congress once in a while and obtain some first-hand information from folks at home.

The hearing will focus on oil and gas exploration and production in the Gulf of Mexico and protecting the Gulf from oil spills from production facilities. By the way, I say the Gulf, and obviously it includes all of the river systems that empty in the Gulf, as well. We recently had a spill on just April 9th in the Mississippi River that was rather serious.

Our Subcommittee has jurisdiction over the implementation of the Oil Pollution Act of 1990. This important law was enacted to ensure that our oceans and inland waterways are protected from oil spills, both by prevention in the first place and by ensuring prompt and effective response in the event prevention fails.

Reducing the risks of spills from both vessels and production facilities is the goal that we all share. Of course, oil spills will occur, and we have to be prepared. We must be prepared for the worst scenarios that we can imagine under ordinary operating conditions.

We are dependent upon oil and gas each day of our lives to provide the fuel for our cars, our homes, our business. While we have an active, although declining, oil and gas program in the Gulf of Mexico, revenues from the oil and gas royalties on Federal lands support many important Federal programs. One of these, the Land and Water Conservation Fund, is a very important environmental fund which provides for acquisition and support of many of our national parks and for the support of historic preservation programs.

Oil and gas production creates jobs for our citizens as well. This is a program that we, as a country, need to support if we are to have a healthy economy. At the same time, however, there are risks of accidents that can injure workers and impact the environment. It is important for the industry to be subject to and complying with rather stringent regulations designed to protect both people and the environment.

We must ensure these regulations actually work to prevent accidents, through the use of the best available technologies, so workers are given the best possible training in accident prevention and response.

As we actually continue to provide a moratorium on exploration drilling in other parts of the country, in Louisiana the oil program goes forward. We need to educate citizens that we have an OCS program that can and does operate safely and protects the marine environment.

I am hopeful that these hearings will result in greater assurances that the OCS program is receiving maximum Federal oversight and attention. We also want to draw attention to the need for increased research on environmental impacts related to the OCS program in the Gulf of Mexico. The citizens of the Gulf, and the citizens of the entire country deserve nothing less.

I am also very pleased that we were able to have a chance for the Subcommittee staff and members to visit an offshore facility this weekend. I want to thank MMS for their help and cooperation in providing this important visit. I recently visited with Bruce Babbitt, the new Secretary of the Interior, who had a chance recently to visit an offshore facility with Senator Johnston. He came back impressed with the size and the importance of this activity, and the need for us to be ever-vigilant in protecting the fragile wetlands of the coast and the important waters of the Gulf of Mexico.

We are pleased to have Congressman Hochbrueckner with us today. He came a long way to not only be with us in Louisiana, but to attend these hearings. He is one of the most active members of our Subcommittee. He has played an important role, and continues to play an important role in oversight as we did in constructing the law. I want to welcome you, Congressman and thank you for visiting our state and for being a part of these hearings.

I would now recognize you for an opening statement.

STATEMENT OF THE HON. GEORGE J. HOCHBRUECKNER, A U.S. REPRESENTATIVE FROM NEW YORK

Mr. HOCHBRUECKNER. Thank you very much, Mr. Chairman. I certainly appreciate your invitation to come visit your beautiful city. I can personally attest that it is beautiful. As you know, this is, in essence, a hearing related to one we had on Friday in Corpus Christi, Texas. While I represent the eastern half of Long Island in New York, which means I am surrounded by water on three sides on my island, we have, as I found, while we may be thousands of miles apart geographically, we do have many problems in common. In fact, I was quite interested in the progress of the National Estuary program, with regard to the inclusion of Corpus Christi Bay.

So, I have found in these hearings that there are many many areas where we do share a great and common interest. Clearly, the area of oil spills and oil pollution is one of those. I am delighted that you invited me to come visit your beautiful city and also to participate in these hearings. I thank you very much for the opportunity, Mr. Chairman.

Mr. TAUZIN. Thank you, George.

I want to point out, as I mentioned earlier, that on Friday, April 9th, Ingram Barge Lines was pushing two barges south bound on the Mississippi River. One of the barges hit the middle railing of the Sunshine Bridge causing another major incident in our area and emphasizing the importance of prevention and response capabilities. That is what we want to examine today. How well does it work? Are we as prepared as we should be? Are we doing the kind of job we can and should be doing in terms of prevention?

That oil drifted down the river past a lot of intakes, including freshwater intakes for drinking water systems. It drifted into an area where there is an important and sensitive estuary wildlife habitat. Those kinds of incidents are the ones that OPA-90 is designed to deal with. Hopefully, as we learn today, we are beginning to be more and more prepared to deal with them and better able to prevent them.

Admiral James Card is with us today. He is the Commander of the Eighth Coast Guard District, here in New Orleans. He has to leave by 10:00. What we will do is allow you to make your testimony and we will question you, then we will move on to the other witnesses so that you can make your 10:00 engagement. It is with my deepest apologies for starting this hearing late.

Rear Admiral James Card, Eighth Coast Guard District, New Orleans, Louisiana. Welcome, sir, and we appreciate your testimony this morning.

STATEMENT OF REAR ADMIRAL JAMES C. CARD, EIGHTH COAST GUARD DISTRICT, NEW ORLEANS, THE UNITED STATES COAST GUARD; ACCOMPANIED BY CAPTAIN TOM GREENE, CHIEF OF THE MARINE SAFETY DIVISION FOR THE EIGHTH COAST GUARD DISTRICT, NEW ORLEANS, THE UNITED STATES COAST GUARD; AND COMMANDER DICK BLAIS, MEMBER OF THE MARINE SAFETY DIVISION, EIGHTH COAST GUARD DISTRICT, NEW ORLEANS, THE UNITED STATES COAST GUARD

STATEMENT OF REAR ADMIRAL JAMES C. CARD

Rear ADMIRAL CARD. Thank you very much, Mr. Chairman.

With me today as well is Captain Tom Greene, who is the Chief of the Marine Safety Division for the Eighth District, and Commander Dick Blais, who is also a member of the Marine Safety Division.

I am pleased to be here today and I welcome the opportunity to talk with you about the Coast Guard's involvement with the Outer Continental Shelf (OCS) Lands Act of 1953, as amended in 1978, and various safety and inspection laws, as well as the relationship we have with the Minerals Management Service (MMS) who implemented these laws, as they relate to oil rig spill preparedness and response. Although not a part of our testimony, we can also respond to the recent spill in the river you just talked about because we are very familiar with that.

At the Federal level, the Coast Guard and MMS have had a long history of cooperation in regulating the offshore oil and gas industry. As MMS has primary responsibility for oversight in this arena, my remarks will focus on the Coast Guard's role of complementing and supporting MMS's efforts in three areas: vessel and facility inspection, primarily for safety; oil spill response planning; and oil spill emergency pollution response operations. I will also comment on oil spill trends in the offshore environment relative to the offshore industry's performance in pollution prevention and response.

The Coast Guard has a long history in offshore safety. Our offshore vessel safety regime translated over to mobile offshore drilling units (MODUs) and offshore supply vessels (OSVs) as they came on the scene in the '50's and the '60's. We inspect those vessels and give them certificates of inspection in accordance with the laws and the regulations in Titles 33, 43 and 46 of the U.S. Code, as well as in Federal regulations.

In addition, we have a Memorandum of Understanding (MOU) with the Department of Interior which spells out our roles in offshore safety and pollution prevention. These agreements assign responsibility to the MMS for management of the mineral leasing of the OCS, and the regulation of all mineral exploration, drilling, and completion work, over-production, et cetera.

The Coast Guard is primarily responsible for regulations to promote the safety of life and property on the OCS, on the facilities and on the vessels engaged in the activities, as well as the safe navigation of those vessels. The Coast Guard, of course, enforces pollution prevention regulations and coordinates pollution response activities.

To help us primarily in the safety parts of this, in 1988, we established the National Offshore Safety Advisory Committee, which we call NOSAC for short. They have been very active in working with us and looking at the public safety concerns. I think they just had a meeting in Washington, D.C. with Admiral Henn. I attended the most recent one they had down here in the fall.

As I mentioned a little earlier, we have a role with mobile offshore drilling units; we inspect them every two years. They get a certificate of inspection. Then we check that every year, what we call a mid-period inspection. We do a hundred percent of those. I think that over time, as they have developed in their sophistication, we have also developed to be able to respond to that.

Fixed platform inspection is a little different for us, since there are 4100 platforms. We have developed a self-inspection regime which is in the regulations for safety. The platform personnel do the inspection and the Coast Guard spot checks those inspections to see how well they have done. We are doing right now about three or four percent of those. We want to do a little bit more, and we are working toward that goal.

To shift now to oil spill response plan requirements, the Oil Pollution Act of 1990 (OPA 90) delegated to the MMS the authority and responsibility for establishing facility response plan requirements for offshore rigs and platforms. These response planning requirements are a new twist in the oil pollution contingency plans that MMS already required on their offshore rigs and platforms. As you know, the Coast Guard is responsible for on-shore facilities and vessels. The goal is to put together, before we have a problem, a plan in case there is a problem.

Plans are important to ensure that we do have a coordinated response. Sharing of offshore oversight responsibilities between our two agencies for responses makes it necessary for the Coast Guard and the MMS to work closely together. The MOUs I identified earlier spell out that relationship. Basically, if there is a spill, the first MMS priority in a spill offshore is to secure the source of the spill. That is really because the MMS is the U.S. Government's expert in this area, and that is their responsibility.

The Coast Guard's responsibility in an offshore spill like that would be to take care of the cleanup and the mitigation. In addition, within 500 meters of a platform where there is a spill, if the Coast Guard would be doing something in a cleanup activity that would cause a problem for the spill source, the MMS has the authority to keep us out of that area to make sure that we do not cause a problem with their abatement.

Of course, after the spill source was secured, the Coast Guard would be responsible for making sure that all of the oil, to the degree we can clean it up, is cleaned up, and that we use all of the response efforts and the mitigation efforts that we have for all oil spills.

To help with that preparation, the Coast Guard has area committees. We have seven in our district. I think Mobile has two, and the Houston and Galveston Committee covers both areas. The MMS is a part of all of those committees. Those committees are locally preparing the spill response plans necessary to respond. That is, where they are using the worst case spill as the case they would respond to.

Of course, another part of any preparation is training and exercising. The Coast Guard has a system for doing that. The National Strike Force has put together new types of response drills, one of which we just had down in Mobile. The Department of the Interior's MMS has some responsibility for drills. Also, we are working together in some public workshops, but particularly in the offshore arena, developing a national preparedness response exercise program. That is spelled out a little bit more in the testimony.

From the information that we have, for the most part, the offshore drilling and production activity has been a very good one in relation to oil spills. The most recent data that we have from 1987 to 1991 indicates that spills from MODUS, OSVs, offshore platforms and pipelines are small in number and small in volume.

Although not a part of the testimony, the information available to us is that, from 1987 to 1991, there were 4,310 spills from MODUs, OSVs, pipelines, offshore marine facilities, et cetera, of which only one was considered a major one. All the rest of them were considered minor incidents. So, 4,309 of those were minor, and one was in the major category.

In comparison, the record of tank barges, tank ships, and waterfront facilities is not nearly as good as the offshore record.

That is a short summary, Mr. Chairman, of the Coast Guard's responsibilities, our relationship with the MMS, which I believe is a very good one, and our commitment to what you mentioned earlier, pollution prevention first, preparation for a response, and then response. We are active in all three of those areas. I am confident that the new response plan requirements that both the Coast Guard and the MMS have will help us do a better job in that regard.

I thank you for the opportunity to be able to testify today. I would be pleased to answer any questions that you may have.

[The prepared statement of Rear Admiral Card may be found at end of hearing.]

Mr. TAUZIN. Admiral, thank you.

As I said, we are going to go right to questions and then go to the other witnesses.

Rear ADMIRAL CARD. Thank you. I appreciate that. As you know, our Chief of Staff is retiring today, so I need to be over there and help him with that.

Mr. TAUZIN. I want to turn immediately to the question of the self-regulating system you adopted for the off-shore rigs. Explain a little more about how it works. Does each rig come up with a separate plan that they submit to you? Are they required simply to follow guidelines?

Rear ADMIRAL CARD. Mr. Chairman, there is a set of regulations which they need to meet. There is a standardized check-off sheet from those regulations which indicates life-saving, fire fighting, et cetera, all the way down. Once a year, the people responsible for the platform are to go down that check-off sheet, which is provided by the Coast Guard, and then send that check-off sheet to the appropriate Marine Safety Office (MSO)—in this area, to either MSO Morgan City or MSO Port Arthur—indicating that they have reviewed all of the regulations and understand them. We review those check-off sheets. Then our role is to conduct unannounced spot checks. As we fly offshore, we stop on those platforms and see how they have done in comparison with what they say they have done. That was a set of regulations which was promulgated in about 1988, I believe. I remember it because I was, at the time, Chief of Merchant Vessel Inspection at Coast Guard Headquarters.

Mr. TAUZIN. Tell me, from your personal experience, how is it working? When you do spot-checks, are you satisfied that basically there is good compliance?

Rear ADMIRAL CARD. For the most part. I do not have as good information about that as I would like. We are in the process of evaluating that right now—how well that is working in comparison with some of the accidents. We believe it is working pretty well, but I would like to personally have a little bit better feel for that. We are in the process of doing that. When we have that done, we will be happy to provide it to you.

I think, from what I know in talking with the commanding officers, like Chris Desmond in Morgan City, and Jim Robinson in Port Arthur, they are satisfied with what they have seen; but I think we need to do a few more percent than we are doing, just to make sure.

We are basically satisfied that the self-inspection program is working, and there is good compliance. The Coast Guard is evaluating the available data to determine the effectiveness of the regulations. Initial indications show good compliance being reported by the companies submitting self-inspection reports. Our analysis, however, shows some degree of noncompliance, we believe, by smaller independent companies owning or operating one or only a few platforms each. These are the platforms on which we intend to concentrate our future unannounced spot checks.

Mr. TAUZIN. The percentage of spot-checks is about three to four?

Rear ADMIRAL CARD. Yes, sir.

Mr. TAUZIN. Which is probably something like a little higher than what the IRS does in terms of audits, I expect.

In terms of the statistics you gave us, you indicate that there were 4,310 spills from MODUs, OSVs, pipelines and offshore facilities, and et cetera over the years, yet only one was a major one. Do you recall which one was that major one?

Rear ADMIRAL CARD. I understand there was an offshore pipeline—maybe Captain Greene can help me here—that spilled about 950,000 gallons or maybe 700,000. Can you help me with that, Tom? I think it was an offshore pipeline. I do not have it right here, but I can get it for you, Mr. Chairman. I believe that is what it was, and it was not from a drilling operation or from a facility, but it was a transportation pipeline.

The only major spill that occurred between 1987-1991 that involved an offshore oil pipeline was a 1988 Galveston, Texas spill of 588.000 gallons. The spill occurred on February 7, 1988 when an anchor damaged an oil transportation pipeline at aan offshore oil rig approximately 35 nautical miles southeast of Galveston, Texas.

Mr. TAUZIN. That is the information we have generally seen over the years, that the biggest and most severe incidents occur in transportation, even in pipelines where there is a good safety record. The one major spill was a pipeline rather than a facility.

From your experience here in the offshore in Louisiana, is the marine environment of the coastal waters of Louisiana relatively safe in terms of its operations with the offshore industry?

Rear ADMIRAL CARD. Mr. Chairman, I could say so from the number of offshore facilities, from the amount of operations that we have, and the amount of oil which was transported; I think it is relatively safe. A very very small percentage of the oil which is produced and brought ashore has spilled.

Mr. TAUZIN. In that regard, one of the policy issues Congress faces is moratoria on offshore drilling production. In order to protect the marine environment in many places in America, they have enacted moratoriums on drilling. The other alternative is to allow a program, but to put some very strict guidelines, with some very strict enforcement in place, and some very high standards of liability; which I understand is also in place here. I suppose we are getting to it. There are many people who live and enjoy this environment in coastal Louisiana and have accepted an offshore industry. According to your experience, is that relationship one that is relatively safe and relatively well-policed in terms of prevention and regulation of spills?

Rear ADMIRAL CARD. Yes, Mr. Chairman. I believe so. I believe also that the newer drilling operations, the newer technology moving further offshore, is really incorporating what you mentioned earlier, some of the best technology available.

I visited, in Morgan City——

Mr. TAUZIN. You have seen the Auger?

Rear ADMIRAL CARD. The Auger Platform. That is a very impressive thing. Of course, the Coast Guard was also involved in the oversight and development of that platform. In all of the plan reviews and all of our safety reviews there was only one change that we asked them to incorporate—I think it was an extra door for access in the galley. Overall, they have incorporated more than we would have required in that whole process, and the platforms are very impressive things. I think you will see that sort of technology going into the deeper water, where you need that; but also they recognize the risks and are preparing for it.

Mr. TAUZIN. We have also often asked about the vulnerability of the offshore industry to natural forces. Assuming that the industry is complying to all of the regulations, how do you address questions from people about how can you possibly allow oil and gas activity in the Gulf of Mexico in the face of all of those hurricanes?

Was the Coast Guard involved in assessing the damage done to the offshore industry in Hurricane Andrew?

Rear ADMIRAL CARD. Yes, sir, we were. Right after the hurricane went through, we were the only organization which was flying, and everyone came in. As we flew over the damaged area we saw there were some minor spills. The only medium-sized spill that we had was caused by a drill rig which drifted offshore and drifted over a pipeline and put a hole in the top of the pipeline. When we were exercising the various pipelines to bring them back online, one spill occurred, but then the flow was shut off quickly. So, from all that—which was the worst hurricane we have had in the Gulf in a long long time, there was one medium spill and only several minor spills.

Now, there were several platforms, and I am sure the MMS has the numbers that were knocked down, but they shut-in their operations. So, when they shut-in the operations, we expected to find a lot more oil out there than we found when we flew right after the hurricane.

Mr. TAUZIN. The important part is shutting down the operations in advance of the storm. We have had previous hearings regarding the importance of doing that early enough so that if damage does occur, the spills are minimized. Again, even in the case of the spill we had with Andrew, we were dealing with a pipeline that could be shut-off. So, the spill was minimized in that instance, as we found out. Is that right?

Rear ADMIRAL CARD. Yes, sir.

Mr. TAUZIN. In regard to the MMS and your relationship in the Gulf, you mentioned in your testimony that there was a zone around an oil facility where MMS had primary responsibility and could, in fact, tell them to shut down their activities. Are you satisfied with the relationship with MMS, or is there potential conflicts in authority in regard to dealing with the spill around an oil facility offshore, or does the system work fairly well?

Rear ADMIRAL CARD. In all of the planning and exercises, Mr. Chairman, I think it works very well. We are very satisfied with our relationship with MMS. When we have needed MMS to provide expertise in things that we do not have expertise for, they have been very responsive, and we worked well together. So, I believe that taking that relationship and moving it offshore to an offshore spill from a platform, which we have not had, I believe it would work well.

I think the important thing is that, since we have the working relationship, we would do what we needed to do to get the job done the best that we could. I am confident in that.

Mr. TAUZIN. The 500 meter zone around a rig; is that a part of the regs or part of law, that separates your authority there?

Rear ADMIRAL CARD. I am not sure. It might be part of our Memorandum of Understanding in that area. Primarily, I think we would be concerned that, if you had oil that was spewing out, that we would not do something in that zone to make it worse. If it was not on fire, we would not want to set it on fire, some of those sorts of things. There might be some kinds of activity that you would need to just keep that zone for.

I think it would be worth us examining it with the MMS. As I mentioned, we are going to have exercise planning together. We can hypothesize some of those scenarios to see what we would do and how it would work, up to 500 meters. We thought something outside of that probably would not influence the well or the well head and what was going on inside.

Mr. TAUZIN. One of the major debates going on in Washington, as we hold our hearings and review OPA 90, is whether or not vessels should carry any kind of equipment to respond quickly to a spill from the vessel. Can you give us any insight on that debate, in terms of your experience and your viewpoint here in the Gulf of Mexico? Have you had instances where vessels could have responded more quickly to a spill and not have to wait for a response organization to come on scene?

Rear ADMIRAL CARD. Mr. Chairman, I followed that debate a little bit in the press and the Journal of Commerce, and other places. I think that is a tough issue. My experiences not only here, but up in St. Louis, and out on the West Coast, with major oil spills, and my major concern when a vessel has a problem is that they be able to take care of themselves, be able to stop the spill, if they can transfer oil out of the damaged tank, and pay attention to the ship.

The spill we had recently on the river was a——

Mr. TAUZIN. Let's talk about that one. Yes.

Rear ADMIRAL CARD. I believe that most of the oil that went quickly into the river was running, as you know, about seven miles an hour, seven knots, and any kind of response gear onboard probably would not have made any difference. What did happen was that they were able to take that barge, stop it where it was, and move it over to the bank and keep it from sinking, which kept the other two tanks in that barge from leaking. Only one of the three tanks leaked in the barge. When that was going on, people did bring boom to the scene, and string the boom around the downstream side of the lead barge—they had two barges abreast at the towboat. Then they were able to create a lee and put it in. So, I do not believe, in this case that had the barge had some boom on board, they would have been able to use it at all. They would have needed to have somebody come from the outside at the right time. The barge was not that big a barge, and would not have been able to carry the kind of boom they needed. So, I do not think carrying anything onboard at that time would have been helpful.

Mr. TAUZIN. Is that always true?

Rear ADMIRAL CARD. Probably not always, but I would say in most of the cases. One big spill that I remember, the American Trader out in California, the facility had boom available, and they boomed part of the ship; but most of the oil was gone from that tank probably within the first 25 minutes. Even if there had been a boom aboard the ship, I do not think they would have been able to do much with it, unless there was a new type of technology and extra people onboard that they do not have right now.

Mr. TAUZIN. One of the concerns raised in our discussion was the fact that if a vessel or a offshore facility would boom the oil around itself, in order to restrain its movement, would create a hazard to the vessel/facility. Because of the collection of a lot of hydrocarbons near the source of the spill, there could be a risk of igniting the spill from a power source on the vessel or facility. Is that part of the thinking and planning of the 500 meter separation, so MMS can say back off, let us first secure the rig, and make sure we do not have a dangerous situation here before you come in and begin cleanup or complete your cleanup. Is that part of the thinking? Have you all considered that, or is that just a speculation that we can just dismiss?

Rear ADMIRAL CARD. Mr. Chairman, I believe that was part of the discussions I believe a negotiated rulemaking—when they sat down with the experts in Washington and paid attention to that. In some cases, certainly in crude oil, in gasoline and those more volatile oils, the experts were very very concerned. The number six oil that spilled from the barge up the river would not have been as much a concern. Safety still is a very important part of all of this response.

I think the primary thing, in addition to that, is that the people aboard a towboat, the people aboard a tank ship really need to be able to take care of that. It does not get much credit up there in Alaska. The *Exxon Valdez* did not spill 80 percent of the oil that it was carrying. It was a horrible spill, but there was a lot of response attention paid to the ship, and responding to the ship to keep the rest of the oil onboard. That is very important to secure the source the best that you can and to be able to take care of the ship so that you do not have a worse problem than you have initially. So, there are several factors that go into play in that.

I know that the discussion is still going on about what type of equipment may be more helpful.

Mr. TAUZIN. Finally, you are in the process of review and approving of all of the response plans. In that regard, we are also prepositioning equipment, supplies, and vessels in order to respond to spills here in the Gulf of Mexico. Admiral, would you give us an assessment of where we are? How prepared are we? Do we have any holes in the net?

Rear ADMIRAL CARD. Mr. Chairman, there are a variety of things that have happened in the last several years. The Coast Guard owns more response equipment. We dedicated the first of our vessel of opportunity skimming systems in Galveston in February. We have another one of those systems over at the Gulf Strike Team; in fact, it was used this last week in another large spill over in the Neches River. Just up in Lake Sabine, we had about 2,100 barrels of oil spilled. We took the Coast Guard Cutter *Papaw*, and put the vessel of opportunity skimming system aboard as a back-up to the other equipment we have. The Gulf Strike Team brought equipment that they did not have three or four years ago.

From the Coast Guard's perspective, we have a lot more equipment. The industry has also provided a lot more equipment. The Marine Spill Response Corporation has equipment here, in fact—I think on Friday of this week, there was a dedication down close to Venice of the Louisiana Responder.

The National Response Corporation, which is another group, was at the spill you just talked about, from the David Bazil. They happened to be drilling and exercising in the Gulf, close to the outlet, and they were involved in some of the cleanup of that oil as it came down through, I think, the Southwest Pass. So, we have more than we had before.

I think, as the area committees assess where we are and what we have, and as the individual companies prepare their response plans to be able to identify where the equipment is, my experience is that we are getting better. We probably still need a little more as it comes out of the production line. When you have a big spill, you can never have too much equipment available.

I think I will go back to the first thing that you said. Prevention is the most important thing. We want to be able to keep the oil in the tank barge, in the ship, in the pipeline under control because once it gets out, it is a tough job, no matter how much response equipment that you have. We are much much better than we were four years ago, in my experience.

Mr. TAUZIN. If you were to rate it, are we 50 percent there, 80 percent there? How far along are we to where we want to be to make this community and the Gulf safe, in terms of maximum prevention and response capabilities?

Rear ADMIRAL CARD. Mr. Chairman, if you will allow me to waffle a little, I do not know if I can measure that accurately. I would say that we are probably three times as good as we were three or four years ago, and still a little ways to go if I may say that.

Mr. TAUZIN. That is a fair assessment.

Finally, let me mention, for those of you who weren't in attendance, that we just had a hearing on the Coast Guard's budget last week. Admiral Kime presented to the Coast Guard Subcommittee his request for about 24 million, to further implement the vessel traffic service system. For a city like New Orleans, the vessel traffic service system is critical in terms of keeping traffic away from bridges and away from one another, so that we can hopefully avoid the kind of spill we recently saw in the river with even greater abilities.

The vessel traffic service system that is being planned for the city, for most of the river area, and the port area, is much more extensive than the old VTS system, which relied only on radio contact and radio communications. This one will have radar, cameras, and the authority to direct traffic, if the risks arise in order to avoid an accident. So, we are in a much better position to hopefully predict in the future the safety that you have predicted, are going to continue to rise.

On behalf of the community of this great port city and the Gulf of Mexico, again let me extend to all of the men and women of the Coast Guard our admiration and respect for the work you do. As you said, we are not there yet. I am personally pleased that we are making great progress, and am particularly pleased with the statistics you cited this morning in regards to offshore facilities and the vessels and services that are connected to the offshore industry.

We have only a few minutes left. Let me turn to Mr. Hochbrueckner for any questions.

Mr. HOCHBRUECKNER. Yes. Thank you, Mr. Chairman.

Recognizing your time constraints, Admiral, I just have one question. I would like to precede it with a statement.

As I think we all agree, avoiding the spills in the first place is clearly the best approach, as opposed to cleaning up later. Certainly, when I look at the problem from an engineering point of view I sort of see three areas. Obviously we want to prevent the spill in the first place at sea, we want to prevent it at the dock and clearly we want to minimize spills from the first valves to the tanks. So, if you look at those three areas as the particular domains that fall together represent the collective of how you move oil around, it would seem to me, on the water side, clearly, there is a substantial amount of work going on with the use of global positioning satellites and certainly the VTS, the digital mapping, and all of these things coming together. Hopefully some day we will have, in essence, a GPS navigation-based autopilot system for major ships, so we can aid the captain or the pilot in terms of avoiding accidents.

Certainly the dock close by has responsibility there, in terms of the inspection-site.

It seems to me that one of the recent areas that the Coast Guard has received jurisdiction has been in the area of inspection from the first valve to the tanks. In the past it seemed like that was sort of a no-man's land, whether you folks were responsible or EPA. At this point, since the jurisdiction is clearly in the Coast Guard's area, how is that coming in terms of inspections along the Gulf of Mexico, especially in light of the tremendous amount of oil that does move through the Gulf?

Rear ADMIRAL CARD. Mr. Hochbrueckner, I do not have numbers to tell you. I do know that, in the process of developing this inspection regime, and going through hydrostatic testing, the pipings and those sorts of things, that we are making progress. When you do something you did not used to do, there is a transition process. I believe that we have gone through the education process now. As we do our facility inspections, we are doing better with that.

Again, if you would like some numbers of things, we can look in our data base and see if we can get them. I do not have those right now. I do know that we have had a lot of discussions with the people who own the facilities to have them understand what it is that we are doing now that we did not used to do. That tells me that we are doing the right thing because they are talking to me about it and they are saying you guys are doing this and you did not used to. What do you need and what do you want? We are explaining that we have this responsibility to make sure that that section of the transportation system is also safe and pollution-free.

I think the combination of that plus awareness and, I think, on the negative side, the penalties, make it more important for the people who own those pipelines to keep them up. Now, we still have problems with this, like we just had this past week—in the Sabine area there was a tank-to-tank transfer, and there was something which was left open. If there is a human error involved, the inspection process does not solve that yet. So, we still have some ways to go. I believe we are making progress in that section that we did not have before.

During the five year period 1987-1991, there were 4310 spills from MODUs, OSVs, offshore pipelines and offshore marine facilities combined, resulting in just under 950,000 gallons of oil discharged into the U.S. waters. 4,309 of these incidents were classified as minor spills based on volume. During the same period, tank ships, tank barges, waterfront facilities and onshore pipelines accounted for 6900 incidents, resulting in just over 30 million gallons of oil discharged into U.S. waters. Of these spills, there were approximately 25 incidents that involved a discharge of over 10,000 gallons.

Mr. HOCHBRUECKNER. Thank you.

Thank you, Mr. Chairman.

Mr. TAUZIN. Thank you, George.

I was in the hotel room this morning watching the barge traffic in the river, and it occurred to me that, in many respects, we are like an airport without a watch tower today. We are still literally watching cargoes of the extraordinarily complex chemicals and dangerous chemicals going up and down that river without anybody monitoring how they come in and how they leave. I guess what I am saying is that I am not going to feel safe, and I hope you will not either, until we get the system totally in place.

Again, my thanks to you for the great efforts the men and women of the Coast Guard have already made in helping us put it into place. We are going to hear from industry a little later about their extraordinary efforts in complementing the work of the Coast Guard, MMS, and the State agencies. Again, I want to thank you for the great work you have done.

As you progress on thee issues of VTS and your inspection program, I would appreciate your office staying in touch with ours in Washington, so that we can be aware of what works and what does not work.

We are deeply concerned that regulations on the industry work for the industry without hampering its operations, but nevertheless, having a very strict standard on board so we are providing maximum protection for the environment and for the people who work in the industry.

Admiral, I know that you have to leave, but we will address the issue of personnel. I want to learn a little bit more about the training required of the people who work in these areas. I will address this issue with our other witnesses and would appreciate your input in writing.

Admiral, thanks, again, for your testimony and for the great work you do.

Rear ADMIRAL CARD. Thank you very much, Mr. Chairman. I appreciate the opportunity to do this.

Mr. TAUZIN. We will now turn our attention to Mr. Pearcy with the MMS, and to Mr. Hebert with the Louisiana Oil Spill Coordinator's Office. Well, you know you are back home when you can introduce a witness named Hebert. We will start with Mr. Pearcy, who is the Regional Director, Gulf of Mexico, Minerals Management Service for the Department of Interior.

As I said, Mr. Pearcy, your boss was here recently with Senator Johnston, and I had a chance to visit with him for about a half an hour in my office last week. He was very impressed with what he saw here and the work of the MMS and the Coast Guard. He asked me to extend my compliments to you again when I saw you.

Welcome, Mr. Pearcy.

STATEMENTS OF J. ROGERS PEARCY, REGIONAL DIRECTOR, GULF OF MEXICO REGION, MINERALS MANAGEMENT SERVICE; TIM HEBERT, DEPUTY LOUISIANA OIL SPILL COORDINATOR, OFFICE OF THE GOVERNOR, STATE OF LOUISIANA

STATEMENT OF J. ROGERS PEARCY

Mr. PEARCY. Thank you. Thank you, Mr. Chairman, for inviting the Minerals Management Service to appear before this Subcommittee to discuss with you some of the ongoing activities of our agency. As you well know, the Minerals Management Service is the leasing arm, as well as the regulatory arm of the Department of Interior for the offshore areas.

The Federal offshore area encompasses some 1.4 billion acres of which only about 33 million are under lease. The vast majority of this leased acreage is right here in the Gulf of Mexico. The Gulf produces about 700,000 barrels of oil per day, which is approximately 10 percent of the total U.S. production, and over 12 billion cubic feet of gas per day, which is some 25 percent of the total U.S. production.

The Gulf of Mexico is a mature oil and gas producing province. We have about 3,800 production facilities offshore. We have 7,500 producing oil and gas wells. Right now we have about 140 mobile rigs operating in the OCS areas. We also have one of the largest producing sulfur mines in the United States here in the Gulf.

With the breadth of these operations, you can see why safety and environmental protection is of the highest priority for both the MMS and the industry. Every precaution is made to minimize accidents offshore. The offshore industry's record is excellent by any standard that we measure it by. Since 1971 our records show that about 100,000 barrels have been spilled from OCS facilities. Since that time, over seven billion barrels have been produced. So, the amount spilled, compared to the amount produced is .0015 percent, or about 15 parts per million, and both of those are very tiny numbers.

Someone told me the other day that this amount spilled over this 10 year period is equal to the amount that seeps into Santa Barbara Channel in less than a month.

Mr. TAUZIN. That is by natural seepage I understand.

Mr. PEARCY. That is by natural seepage, yes, sir.

This rather remarkable record is due to a strong commitment by the oil and gas industry offshore and the regulatory regimes of not only the MMS, but other Federal and State agencies with the responsibilities offshore.

MMS's regulatory process has several components. First and foremost is prevention, spill prevention. This is monitored by our inspection program. We have a very energetic inspection program in the Gulf. We have some 52 inspectors that inspect the offshore facilities. We have 13 helicopters under contract that ferry our inspectors offshore for these trips. We inspect some 1.5—at least on an average—1.5 million devices or components each year.

The second part of our regulatory process is training requirements. We have rather rigid training requirements for our inspectors and our regulations require rigid training requirements for the offshore industry.

Oil spill contingency planning is another part of our regulatory regime. We require contingency plans for every facility. Every operator must have a contingency plan filed with MMS. They also supply the Coast Guard. We have a cooperative effort with the Coast Guard, where we supply them our contingency plans. We have unannounced drills for these contingency plans. We think of some scenario where a spill is dreamed up and then we require the operator to put his contingency plan into action. We invite the Coast Guard. We have invited the state to participate in these, and they have been very successful. We learned what works and what does not work in their contingency plan, so they can make the corrections.

The Oil Spill Act of 1990 extended MMS's responsibilities into state waters. We have prevention and contingency planning responsibilities now in the state waters, and we are working very closely with the agencies of the coastal states and with the Coast Guard in developing new requirements and regulations and putting those regulations into being.

Research is another part of our regulatory process, in that we devote several million dollars per year in research. We operate now what is called the Oil and Hazardous Material Simulation Environmental Test Tank, which is, for short, we call it OHMSETT, out of Sandy Hook, New Jersey. It is the only one in the United States. It is about three football fields long, and it is where we can simulate an oil spill and test the capabilities of booms, skimmers, remote sensing devices.

We have a cooperative effort with the Environmental Department of Canada where we are studying their remote sensing capabilities with them so we can track an oil spill at night; toxicity studies in dispersant and dispersed oil is taking place with them. They are also trying to work out an agreement where we can put oil in the water and burn, use burning as a possibility to control an oil spill.

Mr. Chairman, that concludes my testimony. I would be glad to answer any question. The full copy of my testimony has been submitted to your Subcommittee.

[The prepared statement of Mr. Pearcy may be found at end of hearing.]

Mr. TAUZIN. Mr. Pearcy, thank you.

Mr. Hebert, I am pleased to see you here. One thing that we noticed in the hearings we held after the *Exxon Valdez* oil spill was the lack of very strong coordination between State and Federal authorities on response plans and deciding in advance what could be done when the spill occurs. It was a major contributing factor to the spread of that oil spill and to the damage it caused. Had their been the kind of cooperation we are beginning to see in states like Louisiana and around the country, a great deal of that damage might have been avoided.

We are very pleased that the State of Louisiana has responded by creating such an office and empowering it to work in conjunction with the Federal Agencies.

Welcome, Mr. Hebert.

STATEMENT OF TIM HEBERT

Mr. HEBERT. Thank you, Mr. Chairman. We appreciate the opportunity to present to you our recommendations and concerns relating to offshore drilling and production, oil spill response, and pollution prevention issues.

In terms of its involvement with the Federal Government, the State of Louisiana is working very closely with the Minerals Management Service in assisting that agency with the implementation of OPA 90 provisions relating to oil spill prevention and response preparedness for all state and offshore oil and gas facilities. Specifically, we assisted MMS in playing a key role in developing guidelines for operators to submit response plans to the MMS. Particularly, there was a data void whereby MMS did not know of certain state operators who did not come under their jurisdiction previously. We came to bat to help them early on, filled the data void, and got a joint letter out, between our office and the Office of Conservation, and we got those operators to submit plans. They were unaware that they were required. So, what we are here to tell you is the cooperation between the state and the Federal Government, particularly in this instance, MMS, is continuing, it is ongoing and, from our perspective, it needs to exist in a systematic basis in order for OPA 90 to be a successful regulatory endeavor.

One thing though. The MMS has gone on record advocating that specific provisions of the OPA 90 relating to state offshore operations should be administrated by its state counterparts. To the extent that this would avoid or minimize duplication of effort and result in more effective regulation, we concur with this approach. As you all know, because of the present fiscal budget constraints of the state and an increase in the workload, we cannot do it without additional funding. We stand here to tell you we are a ready and willing partner. Financially, we just do not know what their MMS ability is right now.

With respect to our involvement with the state offshore oil and gas industry, we want you to know that we feel the enactment and the full implementation of OPA 90 assures the public that both the private and public sectors will reach new horizons in the oil spill prevention and responses arena, but we must not overlook the past and present efforts of the Gulf of Mexico producers and operators in responding to oil spill.

Approximately 20 years ago, in 1972, 33 companies operating in the Gulf of Mexico formed the Clean Gulf Associates. These companies pool their resources, under no mandate by law and stockpiled special spill recovery equipment and trained personnel to use this equipment in the event of an oil spill. Although Clean Gulf responds mostly to production spills, they did respond to the *Mege Borg* incident in June of '90, and most recently during the Greenhill Blowout.

I am going to quote directly from my testimony so I do not lose this thought, but we think it is a very important one. "Without question, the dependable state-of- the-art oil spill response infrastructure established by Clean Gulf Associates, will serve the State of Louisiana and the Gulf region well, especially in view of the impending OPA 90 regulatory deadlines. However, if the regulatory initiatives mandated by OPA 90 for offshore facilities are to accurately reflect the economic and practical realities of the offshore oil and gas industry, both state and Federal regulators must solicit and utilize data that is based upon actual experiences within industry, rather than half truths espoused by those who are unfamiliar with the oil and gas production in offshore waters."

I would like to turn my testimony now to the financial responsibility requirements for the offshore facilities. As you know, OPA 90 requires each responsible party, with respect to an offshore facility, to establish and maintain evidence of financial responsibility in the amount of $150 million. The State of Louisiana respectfully asserts that this figure appears to be high. Offshore facilities have been operating in the Gulf of Mexico since 1938, and the statistics enunciated by Admiral Card and Mr. Pearcy—production spills are relatively few in number, and appear to be isolated. The resulting environmental damage, as documented has been minimal. So, we respectfully request this Subcommittee to revisit these particular financial requirements.

On a general note, with respect to OPA 90, we want to emphasize that OPA 90 is one of the most comprehensive environmental Federal legislative enactments in recent history. It is a good law. It is based on sound, principled compromise. However, unlike most states, and particularly the states that have created a highly- centralized neutral agency to administer their oil spill program which may cover five or six different state agencies, the Federal Government does not have that central administrative entity. Basically, OPA 90 was enacted and the executive order was written and then each agency was more or less left up to interpret it on its own. We applaud the efforts of the Subcommittee, particularly this Subcommittee, in holding field hearings to maintain and require these Federal agencies to be accountable for implementation of OPA 90.

Additionally, we want to also note that other Federal agencies, the Coast Guard and EPA, have published updates on OPA 90, but these do not give the total OPA 90 picture. Remember, this is an Act that—basically every Federal agency, excepting a few, is touched. In the state, this problem is even compounded.

We would respectfully request that this Subcommittee investigate the feasibility of establishing an OPA 90 information and regulatory clearing house so that all parties concerned may be kept abreast of all developments in the OPA 90 implementation phase in a comprehensive and timely manner.

These conclude my remarks. I will be happy to answer any questions, if you have any.

[The prepared statement of Mr. Hebert may be found at end of hearing.]

Mr. TAUZIN. Thank you, Mr. Hebert.

Mr. Hebert, let me point out for you quickly—while I appreciate your recommendation that the $150 million financial responsibility figure appears high in light of the size and severity of incidents in offshore facilities and support facilities, nevertheless, it was the exception to the general rule in the law. The general rule in the law is unlimited liability. We were able to win a specific cap on the liability for offshore facilities for the very reason you stated—the evidence showed us there was very limited spills, especially severe spills, in the offshore production. However, in all other cases right now, the Coast Guard is struggling with a law that requires unlimited liability on tankers and others who carry oil to this country. I just want you to know, in terms of the fight we had to wage to even get any limitation, it was based specifically on the evidence we had that offshore facilities were relatively safe compared to transportation of oil through tankers and barges.

Mr. HEBERT. Excuse me, but my reference was to evidence of financial responsibility.

Mr. TAUZIN. Yes.

Mr. HEBERT. OK.

Mr. TAUZIN. That is what we were talking about.

Mr. HEBERT. I just wanted to make sure.

Mr. TAUZIN. Yes. The problem basically is that when we get to big tankers and other vessels required to Certificates of Financial

Responsibility under OPA 90, there is a big argument raging in Washington. That argument stems from the amendments insisted upon by Senator Mitchell and others on the Senate side, opens the door to unlimited liability on insurance policies to cover the transportation of oil.

We at least cleared it up in terms of offshore facilities. We said there was going to be a limit, and the limit was going to be $150 million per facility. While that may be high, to some, in terms of getting insurance, it was better than the unlimited liability that is now threatening to shut down oil transports to America. I know the Coast Guard does not want to let that happen, but I want you to think about it just for a second, if they do not solve that riddle. If the P&I clubs and the Lloyds of London continue with their assertion that they are not going to let their policies go into effect to certify unlimited liability by any state in the Nation who wants to insist on it, then they are not going to waive their policy defenses, as some claim the law requires them to do. If the Coast Guard could not certify any vessels coming into America, then we would shut this country down over night.

We, at least for offshore facilities, were able to win because of the evidence we had, unlimited liability was not going to happen in the offshore industry. So, while it is a high figure, I wanted you to understand that it was a figure we won by the hardest, in the face of many who wanted unlimited liability even for offshore facilities. So, I sympathize. I just want you to know it is a problem we have of getting it changed.

I want to quickly also commend you for your suggesting regarding an information regulatory clearing house. We have tried our best, in terms of the offshore, to keep the lines of authority simple. In the recent amendments on the floor there was an attempt to impose EPA Clean Air Standards into the Gulf of Mexico. It is not that we do not want the air to be clean, but Minerals Management regulates the activities in the Gulf and to insert another agency on top of them we thought was going to extraordinarily complicate the activities of the regulatory regimes.

We tried to keep them simple. We admit that in OPA 90 there is a lot of cross regulation. Your suggestion of a clearing house is indeed a good one. We are going to take that back to D.C. with us, Mr. Hebert.

I want to turn to Mr. Pearcy for a while. You said some things in your testimony that are extraordinary, absolutely extraordinary.

As you know, the Committee was involved in many investigations on the *Exxon Valdez* spill, and we were in the forefront of the issue with several hearings. One thing we learned was that if the State of Alaska had in place authority to burn oil on the water, or to use proper dispersant on the oil early, that a great deal of the damage done may have been averted. I have often wondered why they didn't light a match to it, assuming you could protect the ship, and just burn the oil on the water. What you have said is that your research is now determining that burning the oil on the water produces no more toxic airborne products than the air emissions from products themselves on the water in an unburned state. In other words, the vapors coming off of the oil on the water are as dangerous to the air as any burned products would be if you burned that oil. When did you come to that conclusion? That is a very powerful conclusion.

Mr. PEARCY. Those are the early results. Canada has conducted some burns, some very controlled burns and measured the toxicity of the smoke—the material in the smoke—and the results are that, for that type of oil anyway, that the toxicity of the particles in the smoke is not anymore toxic than the vapors as the oil vaporizes in its natural state on the water.

Mr. TAUZIN. In fact, a great deal of oil vaporizes, doesn't it?

Mr. PEARCY. Very quickly, especially live oil like we have here in Louisiana, that we vaporize—most of it vaporizes very quickly, especially if you get some agitation with the waves and the wind.

Mr. TAUZIN. So, the vapors of this oil on the water coming off that product are no more dangerous to the air environment than the airborne products of combustion should we burn it?

Mr. PEARCY. The early results show that they are about equal—they are about the same.

Mr. TAUZIN. Are they equal in volume?

Mr. PEARCY. No. In toxicity.

Mr. TAUZIN. How about volume?

Mr. PEARCY. I am not sure about the volume, Mr. Chairman; but I would assume it cannot be that much different.

Mr. TAUZIN. It would be interesting to find that out.

The reason why I highlight that from your testimony is that for the State to have a very capable contingency plan in place, as we learned from Alaska's situation is that the state must have authority to say go ahead and do some things quickly where they make sense. If a dispersant makes sense, is tested, and is proper under the circumstances; somebody needs to have the authority to order it. In Alaska, nobody could order it. Nobody would dare take the chance in making that decision, only to find out they were wrong. In this case, if you are determining that a controlled burn on the water is as safe a method as mechanical recovery where the oil is vaporized; then we may have some great news—some big news for the state, in terms of its contingency planning.

Mr. Hebert, you look like you wanted to comment.

Mr. HEBERT. Yes, sir. Just to further articulate the great cooperation between our agencies and Mr. Tennison probably had not been able to tell you this, but we are meeting with the Federal Government, MMS, on May 11th to discuss in situ burning on the state level, and what criteria will the state require and what type of decision-making process internally will the state need to establish so we can make as quick a decision as possible. And this is the evidence of the cooperation you are talking about. Mr. Tenison has just been a gem of a person to give us all of the information we need.

Mr. TAUZIN. Mr. Pearcy, how far along are we in approving dispersant, in knowing which dispersants are going to be authorized to a state to implement in its bill?

Mr. PEARCY. That is a very difficult question to answer. Dispersant, as you probably know, are very controversial. Some of the biologists claim that they are even more toxic—much more toxic than the oil itself. So, what we are trying to do is try to determine the toxicity of some of the newer dispersant that are coming on the market. Also, there is a controversy about the dispersed oil itself. They believe the more that goes down further in the water, it may be more damage to the ecological systems there than the oil on the surface of the water. We are a ways away I think, Mr. Chairman.

Mr. TAUZIN. That is a problem. We just celebrated—if you call it a celebration—four years since the *Exxon Valdez*. The lessons of *Exxon Valdez* are still fresh in our minds in these four years. One of the lessons was that the state and the Federal Government were not ready. Contingency plans were not firm. No one knew what they could do and what they could not do, what was permissible, or what would get them in trouble. It seems to me, after four years our research and development needs to get a good kick in the pants, so that the facility planners know what they can and cannot do.

Now, we learned in the *Exxon Valdez* that we had to have a single line of authority. We cured that I think. We clearly have in the bill a provision that says the Coast Guard on-scene commander can take charge. He can either direct it or take charge, and he becomes the boss, and he says what happens. If he does not know, because the contingency planning does not tell him what he can and cannot authorize, we are going to see a repeat of some of the mistakes of *Exxon Valdez* four years later.

It continues to concern me and the members of my Subcommittee that after four years, research and development seems to be dragging this ship down, when it ought to be supporting it and keeping it afloat. Can you just give us some encouragement, please?

Mr. PEARCY. Well, I can tell you this. We have a study going on now that we have identified some species of some commercial fish here in Louisiana, and we are testing the toxicity of a number of different dispersant upon those species. So, that information should be available here within a short period of time. That will certainly help. It still depends upon where the spill is, what type of environment that it threatens, as to whether you are going to get all of the Federal and state agencies to come to an agreement as to when dispersant can be used and when they cannot.

As you note, the sooner after a spill you use the dispersant, the more successful they are going to be.

Mr. TAUZIN. Mr. Hebert, do you guys want to join us now?

Captain GREENE. Mr. Chairman, can I join the table?

Mr. TAUZIN. Please come on in. Admiral Card would probably want to contribute here.

Identify yourself for the record again, sir.

Captain GREENE. I am Captain Thomas Greene, the Chief of the Marine Safety Division here in the Eighth Coast Guard District. I also play a role as a Co-Chairman of the Regional Response Team for Region VI, which includes Texas, Louisiana, and some of the inland states.

Part of the activity of the Regional Response Team is reviewing dispersant approval or dispersant use decisions. We have done that, and two cases here have approved pre-approval dispersant use plans. One is in place now for offshore in Texas, off Galveston, between Freeport and High Island, Texas; it includes the lightering area where the *Mega Borg* accident occurred.

What we have done—the regional response team has all of this——

Mr. TAUZIN. What is the second one?

Captain GREENE. Pardon me, sir?

Mr. TAUZIN. You said you approved two of them, what is the second one?

Captain GREENE. The other one is for Louisiana Offshore Oil Port (LOOP), off Grand Isle, in case there is a spill there. What we have done is given the Coast Guard On-Scene Coordinator the ability to make that decision himself in the event of a spill. He is authorized by the Regional Response Team (RRT) to make that decision and then notify the RRT.

Mr. TAUZIN. Let me make a scenario quickly up. A hurricane hits. It came in too fast, without enough warning. Somebody failed to shutdown an offshore facility and major damage occurs, causing a major spill. Take me through the steps.

Captain GREENE. There would be notifications, of course. As soon as the Coast Guard finds out about it, we would overfly the spill, determine how big it is, where it is going and then, of course, identify the responsible party and see what actions they are willing to take or are starting to take.

Mr. TAUZIN. Do you have to check with the state authority on any decisions the Coast Guard on-scene coordinator would make?

Captain GREENE. Yes, sir.

Mr. TAUZIN. In that regard, Mr. Hebert, does the state have a contingency plan in effect today, that would tie you and other State offices in with giving the Coast Guard instructions as to what it can and cannot do?

Mr. HEBERT. We have an interim plan in place right now that we have exercised for all of the significant spills that we have been called on since we have been in office. It is working out pretty well.

Mr. TAUZIN. So, the Coast Guard could look at the interim plan, and clearly know what has and has not been approved for Louisiana?

Mr. HEBERT. Let me just give you a real live incident. One morning at 10:36 a.m. I was beeped by the State Police HAZMAT of a blowout in the Gulf. By 1:30 p.m. we had all state people convened in Baton Rouge, and by 3:00 p.m., we had a dispersant use decision to the spiller.

Mr. TAUZIN. That quickly?

Mr. HEBERT. That quickly. So, it is working well. It is only through the good cooperation that we have with the Federal agencies.

Mr. TAUZIN. All right. So, we are passed that meeting. The dispersants have just been approved. What happens next, Captain?

Captain GREENE. Well, then we need equipment to do that. The responsible party normally provides the aircraft and the equipment—the spray equipment to apply the dispersant.

Mr. TAUZIN. Let's assume that the responsible party, in this case, does not have a contract, should it have a contract? Is that a mistake?

Captain GREENE. It is available from a variety of organizations.

Mr. TAUZIN. So that the responsible party would immediately contract with private providers in the Louisiana or the Gulf Coast Area?

Captain GREENE. That is correct, sir.

Mr. TAUZIN. How long would that take, Captain?

Captain GREENE. Well, there is equipment staged in Houma, at the Terrebonne Airport—aircraft and dispersant are there right now.

Mr. TAUZIN. I visited that equipment.

Captain GREENE. That has been set up specifically by LOOP.

Mr. TAUZIN. So, that equipment would be called in quickly at least by LOOP? Would it also be called in by this operator of an offshore rig?

Captain GREENE. It is available, I understand, to be hired by others.

Mr. TAUZIN. I guess what I am getting at is the timeframe here. The spill has occurred. You have been notified, you have had your meeting, everything is ready to go. The responsible party under our law remains the first actor, the first player. He is supposed to take charge and make sure that the spill is contained. How assured are we that will occur in a timely manner and call the facility in Houma, or some other facility and get that equipment on the scene?

Captain GREENE. Well, if he does not, then the Coast Guard can, sir.

Mr. TAUZIN. How much time do you give him to do it?

Captain GREENE. Not much.

Mr. TAUZIN. Not much?

What is that about? Days, hours?

Captain GREENE. I would say an hour or hours.

Mr. TAUZIN. It is into hours?

Captain GREENE. Yes, sir.

Mr. TAUZIN. You would be in touch with that operator and, if the operator did not give you assurances he was making the right contacts and the right contracts, you would begin to swing into action at that point?

Captain GREENE. That is right, sir.

Mr. TAUZIN. What would be your response if the operator obviously was failing, was not moving fast enough, was not getting the right equipment on the scene, or you were having trouble with him?

Captain GREENE. Well, then we have the option of directing him, saying I want you to do so and so and so, and provide this and that equipment, or we can, what we call "federalize" the spill cleanup and say we are going to take it over entirely, and we will run the spill.

Mr. TAUZIN. The on-scene commander makes that decision?

Captain GREENE. Yes, sir.

Mr. TAUZIN. OK. At that point, you call in whatever facilities, private or public, that are available. Captain, is there enough prepositioned equipment and enough airborne and sea-capable delivery systems to get everything you need on scene of this major incident where this oil platform is severely damaged?

Captain GREENE. Well, I think, as Admiral Card said, we are much closer to that point than we were. We have, as he said, three times what we did several years ago; but whether we ever have enough, it is hard to sometimes conceive of what the worst accident can be. We are much better prepared now than we were two years ago.

Mr. TAUZIN. Let me then ask the three of you to comment together. Do you see any holes in the net yet that we need to fill or we can help you fill? Is the cooperative understanding among the Federal agencies here and with the state agency adequate? Are the contingency plans sufficiently developed? Is there something missing that would stop you from quickly responding to this scenario I propose today?

Captain GREENE. I think we can use more pre- approvals. That is a key to a lot of this decisionmaking. Anytime something is put into the water, whether it be an accelerant to help cause in situ burning, whether it is a dispersant, whether it is a biological agent or any other chemical agent, that requires the Regional Response Team approval. That includes all of the Federal agencies that are involved and the states.

Mr. TAUZIN. So, let's pinpoint.

Captain GREENE. The problem is it sometimes takes a while.

Mr. TAUZIN. Yes. Let's pinpoint that. If something is not pre-approved such as a particular dispersant or in situ burning technique, then what happens? Do you have to convene all of the parties into a big meeting, right?

Captain GREENE. Yes, sir. We do that by conference call.

Mr. TAUZIN. That would take everybody signing off. What if one person says I cannot do it, I have got to talk to my boss, I am afraid of my liability. I might get fired. Do things get hung up, right?

Captain GREENE. That is correct.

Mr. TAUZIN. We saw that happen in Valdez in Alaska. So, pre-approval of all of these techniques is very critical to a successful response in case of a major spill, is that not right?

Captain GREENE. I would say so, yes, sir.

Mr. TAUZIN. As far as we know, pre-approvals are still waiting or in need, is that right? How do we get out of this circle we are in? You see, we have heard this in Washington as well as here on the scene. Local commanders as well as organizers on the Federal level tell us, if only we had more pre-approved techniques for dealing with spills. How do we get to that point? What is missing in our R&D that after four years since the *Exxon Valdez*, we still do not have an adequate list of pre-approved techniques to deal with oil spills when they occur? Anybody? Is it just money?

Captain GREENE. It is money, people, resources, time. It takes all of those things to—and particularly the people and the time to develop these things.

Mr. TAUZIN. Who is chiefly responsible? Is it MMS, the Coast Guard, or is it EPA? Who is going to do or finish the R&D that is needed for you to get these pre-approvals so that you can respond effectively?

Mr. PEARCY. Probably all of the resource management agencies. I think it is their responsibility to do the R&D. I think therein lies the problem. You have refuge managers along on the Gulf coast. They are very concerned about the dispersant that are going to be used, they are very concerned about the dispersed oil. They need to do more in research. MMS is funding a number of research efforts, but obviously, we are probably not doing enough. Until you get all of the resource management people in agreement, so they can give the Coast Guard this pre- approved authority, then it is going to be difficult.

Mr. TAUZIN. Well, you obviously pointed us in a direction we need to go back in D.C. I thank you for that. Obviously what you are saying is you are well-organized to respond to a spill. You feel that a lot of facilities are now upgraded to a point where your confidence levels are increasing. The cooperative agreements are good and the interim planning is there. What you lack is simply the pre-approved techniques. That requires some real push on the R&D. That is something maybe we can do in D.C. for you. We are going to get on that.

Let me turn to my friend, Mr. Hochbrueckner, for questions.

Mr. HOCHBRUECKNER. Thank you, Mr. Chairman.

Mr. Pearcy, hello again. You also testified on Friday in Texas. We appreciate that.

Along the area of the R&D efforts, could you describe what percentage of the budget is dedicated to R&D and what are some of the programs that you are involved in?

Mr. PEARCY. We have—for oil spills we have about two or $3 million devoted to research for that. Most of them are, like I explained, with the OHMSETT facility. We are trying to establish some standards for the capabilities of the different types of equipment.

We have this large cooperative effort with Canada. We are looking at in situ burning, testing different dispersant. We are looking at remote sensing, as well as the new types of equipment that are now on the market for cleanup and containment, such as booms, skimmers, all of those things. So, that is where we are going with our research moneys currently.

Mr. HOCHBRUECKNER. On the biotechnology side, is there any involvement in terms of developing dispersant or a microbe that eats crude off rocks?

Mr. PEARCY. We are not supporting any of the bioremediation-type research; but we are certainly cognitive of it and we are looking at it very closely. As we learned in Corpus Christi, there is going to be a center I think established there for that. So, yes, that is something we are very interested in, absolutely.

Mr. HOCHBRUECKNER. You regard that within your domain to pursue?

Mr. PEARCY. Yes, sir.

Mr. HOCHBRUECKNER. Thank you, Mr. Pearcy.

Thank you, Mr. Chairman.

Mr. TAUZIN. Thank you, Mr. Hochbrueckner.

One final thought. Mr. Hebert, we are going to check something out, as a result of your request today. If it is true that MMS would just as soon allow the state to exercise administration of the state counterparts to state waters offshore, we are going to check into the implications of that and whether or not OPA 90 can in some way be helpful to the state. I do not know whether any grants or any support funds can flow. We are going to find out what exactly is that formulation, and perhaps whether or not some changes in the law need to be made.

Obviously it makes little difference whether MMS is administering it, or you are, it has must be done. Somebody has to pay for it. If the Feds would just as soon have you do it and would want you to do it, then perhaps we can work out some cooperative arrangement, whereby we can help fund it for you. We are going to check that out.

Gentlemen, thank you very much for your testimony. As I said, you pointed us in some good directions. We are going to get back with you once we have found out some of these answers. Thank you very much.

I will now invite the second panel to come forward. That will include Mr. Norman Giese, with Clean Gulf; Mr. Richard Fitch, with the Offshore Operators Committee; and Mr. Mark Seifert of the IPAA.

So, we will now hear from, if you will, the private participants in this battle to prevent and to take care of oil spills.

I am also going to ask unanimous consent that the statement of Congressman Jack Fields, the Ranking Republican member of the Full Committee on Merchant Marine and Fisheries be admitted into the record. Without objection, it is so ordered.

[The statement referred to follows:]

STATEMENT OF HON. JACK FIELDS, A U.S. REPRESENTATIVE FROM TEXAS, AND RANKING MINORITY MEMBER, COMMITTEE ON MERCHANT MARINE AND FISHERIES

Mr. Chairman, while I am unable to attend this important field hearing, I want to compliment you for examining this issue of how we can help prevent oil spills from Federal Outer Continental Shelf (OCS) facilities.

As you well know, the Federal OCS oil and gas program is our nation's safest energy extraction program. Companies doing business on the OCS are required to comply with 74 sets of Federal regulations and nearly three dozen major Federal laws concerned with environmental protection and safety.

It is telling that of the 60 largest oil spills that have occurred in U.S. waters, 59 were the direct result of transportation accidents, not OCS accidents. Only one was the result of an accident on an OCS platform, and technology has evolved to the point that a similar spill could not occur today.

Since coming to Congress in 1981, I have been fighting the misconception that offshore rigs are responsible for oil spills like the *Exxon Valdez.*The *Exxon Valdez* was a transportation accident and it had nothing to do with the Federal OCS leasing program.

Mr. Chairman, with such a safe and productive program, it is tragically ironic that the policies that are being enacted by the Federal Government are forcing our domestic companies to spend an ever-increasing amount of their exploration budgets overseas. This must stop. We need to maintain a domestic energy extraction program, and the offshore program is crucial to this effort. Continued leasing and drilling moratoria is not the way to go.

Mr. Chairman, I appreciate our witnesses being here today to talk about the safety of offshore operations. I hope some of them will tell us about the safety features currently on rigs and how effective they were during Hurricane Andrew. I also hope we will hear the witnesses tell us what needs to be done in terms of incentives to help keep our domestic producers drilling for energy sources in America.

I have introduced, with the Chairman and several other Members of the Merchant Marine and Fisheries Committee, legislation which would allow companies to receive royalty relief for operations in deep water areas of the Federal OCS. I am also looking at other proposals to keep the domestic industry interested in exploration and production in U.S. waters. I would appreciate any input that the witnesses could offer to further this goal

Thank you, Mr. Chairman.

Mr. TAUZIN. I guess we will begin with Mr. Giese. Did I pronounce that right, sir?

STATEMENTS OF NORMAN GIESE, EXECUTIVE COMMITTEE CHAIRMAN, CLEAN GULF; ACCOMPANIED BY RICHARD ARMSTRONG, EXECUTIVE DIRECTOR, CLEAN GULF; RICHARD FITCH, EXECUTIVE DIRECTOR, OFFSHORE OPERATORS COMMITTEE; MARK SEIFERT, VICE PRESIDENT, REGULATORY AFFAIRS, INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

STATEMENT OF NORMAN GIESE

Mr. GIESE. Yes, it is Giese.

Mr. TAUZIN. Norman Giese, Executive Committee Chairman of Clean Gulf, who I understand is accompanied by Mr. Richard Armstrong, Executive Director of Clean Gulf. So, you are the Executive Committee Chairman, as I take it?

Mr. GIESE. That is correct.

Mr. TAUZIN. Mr. Giese, if you will give your testimony now, sir.

Mr. GIESE. My name is Norman Giese, I am Development Manager for Marathon Oil Company in Lafayette, Louisiana. I am testifying today on behalf of the membership of Clean Gulf Associates, as Chairman of its Executive Committee. With me today is Dick Armstrong, the Executive Director of Clean Gulf Associates.

My comments are specifically related to the oil spill response capability made available by Clean Gulf Associates to the exploration and production operations in the offshore Gulf of Mexico.

Clean Gulf Associates was formed in August of 1972. It has grown from 33 original members to a current membership of some 140 companies. The Clean Gulf membership are those exploration and production companies who own and operate state or Federal leases in the offshore environment of the Gulf of Mexico. The area of operation is the Gulf of Mexico from Brownsville, Texas, to the Florida Keys, and as far inland as the intercostal waterway.

Clean Gulf has a board of directors with one representative from each of the member companies comprising the Board. Management is conducted by a nine-member executive committee with a full-time executive director. The Halliburton Company serves as our prime contractor. Halliburton purchases, owns and maintains spill response equipment as directed by Clean Gulf and for the exclusive use of Clean Gulf members. Halliburton also performs the rental of Clean Gulf equipment to member companies. Provisions are in place to release equipment for rental to non-member companies, if that action is approved by the executive committee.

Clean Gulf is not a full-service oil spill response contractor, but rather is an equipment supplier. Clean Gulf supplies each member with a comprehensive manual on the use of the equipment. However, each member is responsible for their own spill response plan, as well as acquiring the boats and trained operating personnel necessary to put the equipment into use.

Clean Gulf currently has approximately $11 million of equipment inventory, pre-positioned at nine response bases strategically located along the Gulf of Mexico. The equipment is specifically designed to recover medium grade crudes which are common to the production operation in this area. The equipment includes 23 skimming units, 33,000 feet of boom, 43,000 gallons of dispersant, and a communications equipment package. There is a more complete list of our equipment attached to the testimony.

Equipment under consideration for the future includes the aerial dispersant spray delivery capability, fire-resistant boom, and long-range or remote sensing and tracking capabilities.

Of the Clean Gulf equipment, the identified boat, or the ID boat concept is of particular importance to our production operations. The four ID boats are routinely working as supply vessels within our production operations in the Gulf. They have the added value of having Clean Gulf skimming equipment located on their decks. At the time of a call-out, the ID boat is relieved from its normal routine duties, and is available to the spilling company as a rapid response to a production oil spill.

In addition to the Clean Gulf initiatives, the Gulf coast area has and will expand other equipment capabilities to such organizations as LOOP, MIRG (the Marine Industry Group), NRC (the National Response Corporation), MSRC (Marine Spill Response Corporation), and local spill contractors and coops.

Training on equipment is another important aspect of spill response. In 1992, Halliburton conducted on behalf of Clean Gulf 81 training sessions for member companies. Through these classes, approximately 2,100 personnel who are primarily member company employees, were introduced to the operation of our equipment.

In addition, Clean Gulf has set out on a program to train crews from local oil spill contractors on the operation of our equipment. Our objective is to ensure that a cadre of trained contractors are available for each of our members. To date, we have 69 personnel trained on the fast response units and shallow water skimmers, seven crews trained for our ID boats, and each year a 16-man crew is trained on the operation of our HOSS Barge, the largest skimming unit we have. The MMS unannounced drill program has also been very productive to increase the training and the overall preparedness of our member companies and our contractors.

The final area of comment is the cooperative effort underway in the Gulf Coast area to develop skilled response planning tools. Clean Gulf believes that the development of sensitive area mapping capabilities and trajectory models are critical to proper planning. In that regard, Clean Gulf supports the efforts that have now been initiated through the Regional Technical Working Group and the MMS Coastal Marine Institute.

As a side note, Clean Gulf was happy to sponsor the Effects of Oil on Wildlife Conference which was held in New Orleans in January of this year. That conference was organized by Tri-State Bird Rescue and Research, to address the wildlife-related issues of oil spills. Wildlife protection and wildlife rehabilitation are important aspects of spill response for our members.

That concludes my remarks.

[The prepared statement of Mr. Giese may be found at end of hearing.]

Mr. TAUZIN. Thank you very much, Mr. Giese.

Mr. Fitch.

STATEMENT OF RICHARD FITCH

Mr. FITCH. Thank you, Mr. Chairman.

The OOC welcomes the opportunity today to present testimony regarding the exploration and production operations perspective on safety, oil spill prevention and preparedness.

Our organization was formed over 30 years ago, principally to interact with the state and Federal agencies which regulate our activities offshore. My written testimony has a lot more details than I will try and cover in a few minutes in the verbal comments, about our industry's efforts, their attitudes and accomplishments regarding safety and spill prevention. I can summarize it simply by stating that our record speaks for itself.

Compared to any legitimate standard, the offshore exploration and production companies' record in these areas is outstanding. I might comment that this record is outstanding because of the attitudes and the cooperative efforts the industry and the regulatory agencies—principally, the Minerals Management Service, and the U.S. Coast Guard have enjoyed.

The Valdez Spill in Alaska, focused attention in the United States on these issues. Reaction to that spurred activity by the regulatory agencies to review their regulations, industry, to form PRO, which is now MSRC, and Congress to enact OPA 90. However, in spite of the need for action to prevent and minimize spills of this type, we would suggest that more stringent regulations or EMP operations, particularly in the Gulf of Mexico, are not justified. I am stating that based upon our performance history and the existing regulations.

The National Academy of Sciences has estimated that two percent of the oil in the oceans is actually derived directly from EMP-type spills. Some 45 percent comes from either tanker or other marine transportation and terminal spills. It should be obvious that U.S. dependence now approaching 50 percent on foreign oil, all delivered in tankers, is far more detrimental to ocean and shore environments than outer continental shelf operations from EMP companies. Our record is not only good, but it is continuously improving. MMS records, which are referenced in the written testimony, verify this.

Our industry's preparedness and capability got a severe test last year with Hurricane Andrew. After arriving in Southern Florida, it progressed through the Gulf of Mexico, and winds and waves from that storm were felt on some 2,000 of the nearly 4,000 platforms that exist. Over 170 platforms were either damaged beyond repair or totally destroyed, and yet the total loss estimated by the MMS in terms of oil was some 2,000 barrels. As you heard earlier today, the majority of that came from a single pipeline incident from a dragging anchor.

This event was widely covered because of the human tragedy, and rightly so, but I think it has been largely overlooked in its significance in terms of the record of the offshore industry in safety and spill prevention. It is outstanding, however, when viewed in the context that I just mentioned.

Spill contingency plans have been required from the outer continental shelf for over 20 years. When the industry, as you also heard earlier today, formed Clean Gulf Associates as a principal response organization, over that timeframe, we have continuously improved and expanded that capability. Many similar efforts have been accomplished or are underway in our industry; but I would like to mention just one that I think is illustrative of the current efforts and cooperation between us and some of the regulatory agencies.

The Minerals Management Service announced, between one and two years ago, or put in the **Federal Register** and asked for comments on the proposed program they had called the Safety and Environmental Management Program, acronym SEMP. The two organizations, the American Oil Institute and our organization, the OOC, responded to that by stating that they felt like it would be more effective if we could put together a recommended program, an RP, APIRP where the regulatory agencies and the industry together try to determine what type of program was really best-suited. This has just been published as a matter of fact. It is called APIRP75. Our organization and API are currently sponsoring workshops that will be conducted in the next two months here in New Orleans and in Houston to brief anybody in the industry in terms of what we think is a good recommended program.

I would like to state, in conclusion, that the OOC believes that the requirements of the current regulations, in addition to industry initiatives, such as RP75, provides adequate safeguards to ensure continued prompt and complete response to any offshore Gulf of Mexico EMP incident.

Those are all of my comments. Thank you.

[The prepared statement of Mr. Fitch may be found at end of hearing.]

Mr. TAUZIN. Thank you. I particularly want to thank you for the detail in your written statement. There is some very good information here. Thank you.

Mr. Seifert.

STATEMENT OF MARK SEIFERT

Mr. SEIFERT. Thank you, Mr. Chairman. I am Mark Seifert, Vice President of the Independent Petroleum Association of America. I am very grateful for the opportunity to appear before you today. IPAA was formed in 1929 to represent the interests of small oil and gas producers. The independent producers in this country produce about 40 percent of the crude oil and about 60 percent of the natural gas. We drill about 85 percent of all wells that are drilled in this country.

We currently hold about 35 percent of all offshore leases. As the major oil companies continue to move their investment and exploration or production operations abroad, I think that independent producers are going to become more important to the domestic industry than they have been before.

We are also very heavily into natural gas. About 70 percent of our Btu-equivalent production is natural gas. So, we are up-to-date in terms of environmental concerns. We do our best, and it is very good, in terms of environmental practices, both onshore and offshore. We are more and more interested in the outer-continental shelf. This week, in fact, is the inaugural meeting of IPAA's Offshore Task Force, right here in New Orleans on Thursday. We look forward to working with this Subcommittee and with the rest of Congress and with the Administration to promote conditions in the outer continental shelf that will allow for increased drilling.

I think it is important to reflect upon the state of the U.S. petroleum industry. Sixty percent of the independents who were in business in 1981 are now out of business—450,000 jobs have been lost. Our lower 48 oil production is the lowest in 40 years. Since just 1985 we have lost 1.6 million barrels a day, which is the equivalent of the pre-war production of Kuwait. In the last 15 years, natural gas prices hit their low in February 1992. This is supposedly the fuel of the future. We are currently about 50 percent dependent upon imported oil for our needs and at least 10 percent of our natural gas is also imported from abroad.

By the year 2000 we estimate that there will be 5,000 super tankers a year visiting American ports. That is more than 13 per day. I do not think that there are any easy choices in this matter; but there are choices that have demonstrably different results. We could either become more dependent upon foreign oil, or we can do more drilling here at home. The only other alternatives are really not workable.

If you want to look at the alternatives that are available, keep in mind that we consume 17 and a half million barrels of oil a day. If you just wanted to replace one percent of that volume, you could have ethanol made from a corn field about 90 percent the size of Iowa, or you could have energy from a solar array that covered 500 square miles, that is one percent; or you could have energy from wind generators with hundred-foot blades in a string from Boston, Massachusetts to Charleston, South Carolina, or you could build eight nuclear power plants the size of Shoreham, which was not allowed to open and which cost at least $4 billion a piece, or you could have one billion cubic feet of natural gas in a 55 billion cubic feet per day market.

I think what I am pointing out here is that if you want to replace oil, the only way to do it in the short- term, and I mean during the next 25 years, is with increased reliance on natural gas.

One-fifth of our natural gas reserves are in the outer continental shelf. It is important that we permit drilling out there. It is important that conditions be such that independent producers can afford to go out there.

While I congratulate you, Mr. Chairman, on your efforts with respect to OPA 90 and probably protecting us from something that could have been far worse, the $150 million financial responsibility level is too much. This OPA 90 really needs to be revisited. We need to eliminate the unlimited liability for transportation. It is totally unworkable. We also need to eliminate the prospect of direct action by private parties. The reason that we need to do this is not because industry is trying to escape from responsible regulation, but only because the insurance companies are totally unwilling to fund these unlimited liabilities, and independent producers, upon whom we are going to have to rely as a nation more and more for drilling offshore, are unable to meet these financial responsibility levels in large numbers. There is really no sadder event than witnessing a beautiful theory viciously attacked by a gang of facts, but I think that that is what is going on in this instance.

Another important issue that you all need to be aware of is the lease bonding situation. There are about 500 leases that are pending assignment. They cannot go forward. They are in limbo because the Minerals Management Service is currently trying to examine how to protect the Federal Government from liability for abandonment and site clearance. We understand and support their desire to protect the Federal Government from this liability, however, the proposed rules would increase by 10 times the lease bonding requirements. There are also suggestions that would make record title holders liable for lease bonds, in addition to the operators to whom the MMS has always looked.

I think that you all just need to take a very close look at this and Congressional oversight can really help. I congratulate you on your efforts, Mr. Chairman. I offer the assistance of the Independent Petroleum Association of America in any way that we can help. I appreciate the opportunity to make this presentation.

[The prepared statement of Mr. Seifert may be found at end of hearing.]

Mr. TAUZIN. Thank you, Mr. Seifert. I also sympathize with you because you have to work with Roy Willis now.

Mr. SEIFERT. It is a tough year.

Mr. TAUZIN. It is a tough year. Although, if you do not know, Roy was a former administrative assistant of mine, and is now with IPAA. I understand he is doing a great job for you over there.

Mr. SEIFERT. Yes, sir.

Mr. TAUZIN. First of all, let me discourage you from proposing all those alternatives—the solar cells covering 500 square miles, or the string of giant windmills. Unfortunately, there are people in Washington who would take you up on those alternatives, if you propound them too loudly and want to try them. The fact is that we developed some information indicating there were several billions of gallons of oils on the water everyday in tankers of all sizes and shapes. Many of them, as Shell Oil pointed out, are not worthy of being on the water. Yet, we are still struggling over the issue of how to insure them and how to certify that insurance, while we have a vast array of resources at home undeveloped that could help us out. You make the case very well, Mr. Seifert. You do it as well as anybody I have ever heard.

Just so you will know, I brought some of your concerns recently to the attention of Secretary of Energy, Hazel O'Leary. She is in town today and in Baton Rouge this afternoon to visit with the joint session of the Louisiana Legislature. I will be hosting her there. At the last meeting of our Committee on Energy and Commerce, she committed to within 60 days to develop a proactive Federal program that will create incentives again for oil and gas activities in America. I believe the independent community would be vitally interested in that, since they drill 85 percent of the wells, as you pointed out that are currently being drilled in this country. If we do not continue to discourage raising the cost of financial liability and bonding, and encourage domestic production, we are going to see a demise of what is left of the industry in America. Your case is well-made.

I also want you to know I have brought to the President's attention in our first meeting, the need for changing the tax policy in this country, by creating incentives for drilling here at home instead of overseas. The Foreign Energy tax credit, in my view, is the most failed policy under the current times and conditions I have ever seen. We are paying for companies to go drill somewhere else, and encouraging them to do that by telling them that we will write-off any taxes they pay to a foreign Government. That is silly to me. I advised the President it was time for us to turn that credit around and give it to companies here in America who are willing to drill cleanly, by helping to pay for the environmental compliance cost with that credit. They are looking at that idea. I understand it is being kicked around in Washington right now. It is something that your testimony, of course, screams for in very loud voices. I appreciate it.

Let me turn to Mr. Giese, and Mr. Fitch, about the activities you described for us in preparation for, and in prevention of activities that would create spills in the Gulf. First of all, Mr. Giese, is there any other area of the Gulf that is not covered by Clean Gulf?

Mr. GIESE. No. It is covered from Brownsville to the Florida Keys.

Mr. TAUZIN. The entire Gulf?

Mr. GIESE. The entire Gulf.

Mr. TAUZIN. Are there any operators who are not part of it?

Mr. GIESE. I cannot be certain of that. We have 140 members, and I believe the MMS pretty much ensures that they are members Clean Gulf in their contingency plans.

Mr. TAUZIN. So, by and large, you cover, if not everybody, the great majority of operators in the Gulf?

Mr. GIESE. Yes.

Mr. TAUZIN. I noticed you said some of the equipment you might want to add to your inventory is aerial dispersant spray delivery capability. I visited the facility in Houma where that aerial spray capacity is on contractor with LOOP. Do you contract for similar aerial dispersant capabilities now?

Mr. GIESE. We are in the process of putting together a contract to be a contract of that same equipment with LOOP.

Mr. TAUZIN. I see. So, you are working toward that goal at this time?

Mr. GIESE. Right.

Mr. TAUZIN. You also mentioned that fire resistant drilling, long-range remote sensing, and tracking capabilities are all potential improvements you see coming in Clean Gulf?

Mr. GIESE. Right. We have a technical subcommittee that looks at the development of new technology and determines whether or not Clean Gulf needs to be a part of that new technology, or whether we need to integrate that.

Mr. TAUZIN. That is very interesting. That committee looks at all of these new technologies and examines them. If a vendor or someone with an invention came to you, would he have a chance to show it to you? We get calls like that all the time, I am sure you know.

Mr. GIESE. We also get a number of calls—and Dick Armstrong, who is there on the right, gets a number of those calls. We screen them and go through our technical committee and determine how valid they are for exploration and production activities.

Mr. TAUZIN. I was very impressed with the number of personnel who have been through the training classes and particularly the crews that have been trained, on the ID boat equipment, which makes a lot of sense to me.

Are you satisfied that the level of training of these crews and the 2,100 personnel who went through the classes, that in an emergency they would have no difficulty operating the leased equipment?

Mr. GIESE. We feel confident that there are enough trained personnel, either company employee personnel, or contract personnel that are available to operate all of our equipment.

Mr. TAUZIN. In many cases, are these personnel currently working offshore where they are accustomed to using boats and equipment. You are simply training them to use this leased equipment when and if an emergency comes up?

Mr. GIESE. Yes. There are—a number of the companies are specifically in business for oil spill response. A number of the others are vessel cleaning companies, hazardous material handling companies. They train on response equipment as well.

Mr. TAUZIN. Mr. Fitch, you make a very compelling case in the description of Hurricane Andrew's damage to the Gulf, with yet a minimum amount of oil that was spilled in regards to that very incredible storm. I happen to be the Congressman from the district it hit. Governor Edwards said when we were touring the damages that Congressman Jimmy Hayes and I both knelt down and prayed for the storm to miss our districts, and it missed his. I am not sure what that means. We, of course, saw the incredible damage onshore. However, we did not get a chance to see all of the damage offshore where I understand in many cases, rigs were heavily damaged, toppled, or just gone. I believe about 174 structures were damaged beyond repair. It was a major catastrophe for the Gulf operations.

Mr. FITCH. Hundreds of millions of dollars.

Mr. TAUZIN. Hundreds of millions of dollars. Yet, as you said, only seven spills, with one major and the others minor. Obviously, this is not the last storm we have seen. Has your organization learned any lessons that are going to help us with future natural disasters such as this one?

Mr. FITCH. Well, I think there was a comprehensive evaluation of this. Any learning process that you go through has to have incidents like this to really gain knowledge from it. Our typical design characteristics for platforms and production equipment out there early on were measured or were designed based upon what we thought was the maximum storm. As we see more and more damage and we can assess what types of platforms stood and what types failed and why—what their age was, then I think that everybody who is operating out there is refining their engineering capability.

Mr. TAUZIN. Yes. Has any report come out of this assessment? Have you done a report? Has a paper been released on it that any of us could see?

Mr. FITCH. I do not know that there has been any paper released. I know that there were some extensive work done with the API, which has a committee that is looking at this actively. I know that the Minerals Management Service is probably interacting with them in that regard.

Mr. TAUZIN. It would be interesting if there are any documents floating around dealing with an evaluation that helps us further understand it. It would be very useful if you could supply that for the record. We would request that you do.

Mr. FITCH. I will seek that information and give it to you.

Mr. TAUZIN. I appreciate that very much.

Mr. Giese, in regards to the training I was just discussing, are you satisfied with the assistance you are getting from Federal and state agencies? Is there interaction? Maybe you can both comment on that. Is this something completely conducted in the private sector? For example, I visited a facility in Lafayette at USL, where I understand they do some kind of offshore training.

Mr. FITCH. Marine survival training.

Mr. TAUZIN. Marine survival training?

Mr. FITCH. At USL, at the airport.

Mr. TAUZIN. Right. Are you getting assistance from either state agencies or Federal agencies with this kind of training?

Mr. FITCH. I think that they have participated. That initially was an industry effort. I think largely the USL people over there promoted that idea early on and got the support of the industry and most of the equipment, as a matter of fact. Funding I think for the classroom facilities being built by the industry. I think, as this program came on we have got the participation of the Minerals Management Service, in recognition that this is probably the only facility of that type that is really available to talk about or to teach people.

Mr. TAUZIN. It is the only one in the area that you knew of?

Mr. FITCH. Yes.

Mr. TAUZIN. The one thing that also leaps out at me, as we continue to look at all of these preparations, is that so much is designed to respond to oil in the water and the marine environment, but men and women can end up in the water, too. I hope that as we build response capabilities for disasters that would spill oil in the water, that would include the capacity to rescue lives of the workers who get caught in these situations such as from a blowout or explosion on a rig offshore and from a natural disaster, like a storm.

I recall we had hearings in Washington dealing with standby vessels some time ago. We were talking about the emergency response. I cited the story of a cousin of mine from Chackbay, Louisiana, who went 14 hours in 40-foot seas, clinging to a two by six for his life. I had a chance to sit down with him and hear him relate that story to me. It is an incredible story of great danger and risk offshore.

I guess I simply wanted to conclude by asking you, as we continue to build response capabilities to rescue the marine environment from oil, if we are taking into account the needs to rescue human lives too in these kind of emergencies?

Mr. FITCH. I think I would make the comment that that capability exists; but, even beyond that, the general response from the offshore EMP industry is that we do not leave people out there to get caught in that kind of a situation. I am sure you are aware of the fact that when we have extremely sophisticated tracking mechanisms for storms and well ahead of this, usually several days ahead of the potential for any storm to interact with one of these producing operations we evacuate people. The one you mentioned happens to be the only one that probably caught any significant number of people by surprise, including the weather forecasters I might point out.

Mr. Tauzin. Well, it is for that reason that I raised it. I want to conclude by again thanking you all for the efforts you all make in making the marine environment safer and also for the men and women who work in the offshore. I do not think we need to stress again, Mr. Seifert, the importance of your testimony. If we are going to have a viable energy base in America, we will have to continue to rely upon the Gulf of Mexico. It is the one offshore that is permitted to go forward, yet it is suffering an economic down time when the country is increasingly dependent upon foreign sources. There is something wrong with that formula. We ought to improve it.

Mr. Fitch, I must agree with you that the work you do in improving the safety record of the Gulf of Mexico, which is indeed an outstanding one, helps us build a case hopefully for some sanity in Federal policy. This way, we will have a chance to rely more on domestic sources, instead of increasing the volumes of oil transported into the U.S. on tankers that we cannot trust coming into our ports with foreign language barriers, with equipment that has not been tested or assured that it works when it arrive here.

I hasten to add I cannot imagine what kind of disaster we would have had if Hurricane Andrew had struck a bunch of oil tankers, instead of offshore facilities. We probably would have had to deal with a lot more oil in water.

Again, thank you for your continued good work. I do not have to tell you that this Subcommittee is staying on top of OPA 90. There are subcommittees of Congress who have produced legislation and then let it all happen at the regulatory end. We have not done that. This Subcommittee has stayed vigilant. We are on the regulatory track with the Coast Guard, EPA, Minerals Management and others, and we are going to continue to stay on it.

You would do us a great favor by keeping us apprised of how the regulations really work out there and if you see them either impeding or helping you do your job of keeping the marine environment safer and cleaner. Thank you very much.

Mr. Hochbrueckner, for further questions.

Mr. Hochbrueckner. Thank you, Mr. Chairman.

Mr. Giese, in your testimony, on page one, you state: "CGA has a board of directors with one representative from each member company comprised on the board, and the management is conducted by a nine-member executive committee and full-time executive director."

You also state in the testimony that you have about 140 members?

Mr. Giese. That is correct.

Mr. Hochbrueckner. I assume some are very large, some are very small?

Mr. Giese. Yes.

Mr. HOCHBRUECKNER. I am inquisitive about how things like that work. Because every time we try to do something like that up in my area, we always end up with a lot of problems. We have a huge number of people, and you have large and small—are there difficulties selecting these nine members who actually run things with the executive director? I mean, how does that work for you from a practical point of view?

Mr. GIESE. The nine positions on the executive committee have stayed the same for a number of years. There is a member from the smaller group of companies, and specifically oriented to the smaller group of companies, plus a number of the major companies. In our executive committee meetings we very consciously look out for the smaller members by—whenever we take action we want to make sure we look at how that action is going to impact our smaller member as well as our larger members.

Mr. HOCHBRUECKNER. So, most of the board are the larger members, but you give special consideration to the smaller members, in order to sort of give proportionate representation so to speak?

Mr. GIESE. That is correct.

Mr. HOCHBRUECKNER. I see.

Mr. Seifert, I think you will probably find that in Washington there are many folks from the environmental community who feel strongly that we need to increase the use of domestically-produced natural gas. From your perspective here, what are some of the things that you feel, overall, could be done to in fact improve and increase the use of domestic natural gas so that we can reduce the reliance on foreign oil? Because I think the new administration is leaning in that direction. What advice can we give them, based on your local point of view as to what we can do to increase that?

Mr. SEIFERT. Well, the first thing is that it is very encouraging to hear our Government talking about increasing the use of domestically-produced natural gas, because it is a very prevalent resource. We have 74 billion barrels equivalent of natural gas left to produce in this country, so there is a lot left. One thing I do not hear too much about in Washington, even among the people who talk about increasing our use of natural gas, is increasing production of natural gas. So, I think that the most important thing to remember is that you cannot base a market on desire, you have to base a market on availability of the resource. So, the most important things that our Government could do is to encourage drilling for natural gas, both on and offshore, particularly on Federal lands. Increased availability of opportunities to drill on Federal lands on and offshore would do more to boost natural gas use than any other single thing that could be done by the Federal Government. As you pointed out, even those in the environmental community, who appear to be interested in increasing the use of natural gas, are the same ones who are suing the Federal Government to prevent the opening of Federal lands that might produce a lot more natural gas. So, this is a very important question that I think it is appropriate for you all to focus upon. We can't burn it if we can't drill for it.

Mr. HOCHBRUECKNER. I am from an engineering background, so I do not have a strong background on tax incentives and things like that.

What are some of the practical things that can be done, from your industry's point of view, from an incentive, a tax break, or whatever, approach that would be helpful?

Mr. SEIFERT. The most vulnerable production that we have in this country is what is called marginal production. That might—we used to call it stripper, and that meant less than 15 barrels a day of oil, or 90,000 cubic feet a day of natural gas. Under current economic conditions, I think we need to bump those levels up to 25 barrels a day. Anything below that is economically marginal. Anything below about 150,000 cubic feet a day would be a marginal gas well.

If tax incentives could be directed toward keeping that marginal production in business, instead of allowing it to be shut in and perhaps even abandoned permanently because of current economic conditions in the natural gas industry, we would keep a lot more reserves producing longer for American use than we would otherwise. So, I would say that it would be appropriate for Congress to address itself to the marginal well problem and find ways of targeting tax incentives to keeping those marginal wells in operation.

Mr. HOCHBRUECKNER. Thank you very much.

Mr. SEIFERT. Thank you, sir.

Mr. TAUZIN. Mr. Hochbrueckner, thank you, sir.

Mr. Seifert, one of the things we have learned in the last year or two from the majors is the environmental and liability compliance costs, in many cases, are driving those marginal wells out of existence. That is why I suggested a credit toward helping pay some of the environmental costs. I'm not saying we should weaken the standards or the requirements, which flies in the face of environmental concerns, but in the terms of the tax code, help address the costs so that we can continue to get oil from these marginal wells.

Mr. SEIFERT. If I might just add one thing. When we had unreasonably low well head price controls under the Natural Gas Act, the effect was to create artificial shortages in the interstate market, because people were unwilling to dedicate their resources to developing a product that they could not sell for a profit. The effect of unreasonably high environmental costs and other tax costs are the same as unreasonably low well head price controls, because the impact on the producer is the same. So, it is appropriate that you all are addressing this.

Mr. TAUZIN. I will leave you with one thought. We had an incredible session one day at an Energy and Commerce Committee hearing where now Senator Dan Coats, who was then Congressman Dan Coats, asked a question of Mr. Henry Goodrich, of Shreveport, who was a witness I had invited to testify on this very issue. Mr. Coats asked a very important question. He said what price would you need for natural gas, if there were no incentives at all in the tax code, which we pretty much have today, to encourage you to stay in business, and especially to keep investors supporting the independent companies? As you and I both know, Mr. Seifert, in many cases, the independent companies cannot just run to the bank and borrow it. It requires a lot of small investors to come in and invest in wells and drilling. Mr. Goodrich thought a minute. He said, Mr. Coats, at what price would you pay to invest in an apartment complex that you know had a 90 percent chance of collapsing when it was 70 percent complete? Dan said I would not invest in that kind of a project. He said, you understand our business now.

As Mr. Seifert points out, it is basically a question of whether we are going to make economic conditions better for Americans to produce here at home or whether we are going to continue to go fight battles to protect somebody else's oil fields, so they can ship it in leaky tankers to America for the rest of our lives. I do not know when we are going to get that message straight in Washington, but we are trying.

One of the ways we helped get it straight is for the industry to do more that is affordable, towards making this industry safer, cleaner. This way we can project to those who are opponents of drilling on Federal lands that it is a much safer, cleaner way to go than relying upon a tanker that can spoil your beaches for generations.

Again, thanks for your contributions today and for the efforts you continue to make. We have learned some things at this hearing, as we hoped we would, that we are going to take back to Washington. The record will remain open, if you have other documents or other submissions you want to send us.

Mr. Hochbrueckner, are there any final comments?

Mr. HOCHBRUECKNER. No. Thank you very much, Mr. Chairman. I have learned a lot today and I appreciate the education.

Mr. TAUZIN. Thank you for coming all the way from New York, Mr. Hochbrueckner. Congratulations on the Islanders' victory over the Capitals.

Thanks again for all your attendance and your help. The meeting stands adjourned.

[Whereupon, at 11:25 a.m., the Subcommittee was adjourned; and the following was submitted for the record:]

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April 19, 1993

BACKGROUND MEMORANDUM

TO: MEMBERS, SUBCOMMITTEE ON COAST GUARD AND NAVIGATION

FR: SUBCOMMITTEE STAFF

RE: PERSONNEL SAFETY AND POLLUTION PREVENTION AND RESPONSE

At 9:00 a.m. on Monday, April 26, 1993, in Courtroom C-268 of the U.S. District Courthouse Building in New Orleans, Louisiana, the Subcommittees on Coast Guard and Navigation and Oceanography, Gulf of Mexico, and the Outer Continental Shelf will conduct an oversight hearing. The focus of the hearing will be on the safety and pollution regulations for offshore oil and gas facilities.

Witnesses invited are the U.S. Coast Guard, the Minerals Management Service, the Louisiana State Oil Spill Coordinator, the American Petroleum Institute, the Independent Petroleum Association of America, and Clean Gulf Associates.

BACKGROUND

History of the Industry

Exploration for oil and gas in offshore waters began in the late 1800's. In 1896, off the coast of Summerland, California the first oil well was drilled. In the Gulf of Mexico it was not until 1938 when oil was discovered in the Creole field, 1 1/2 miles off the Louisiana coast. This was the first successful venture into open, unprotected waters. With the continued search for oil and gas in the offshore waters, the industry has continuously improved drilling and production technology.

Jurisdiction over the continental shelf is divided between the coastal State and Federal Government. Each State manages the mineral resources off its immediate coasts. Mineral Management Service (MMS) manages the resources on the outer continental shelf (OCS), which is federally owned lands

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(1.4 billion total acres) located three miles from a State's coastline out to 200 miles. The Federal Government through the Department of Interior began a federal leasing program in 1954. In 1982, the Minerals Management Service was established and given the authority over the OCS leasing and management program. Since 1954, about 500 million acres have been offered for lease with only about 50 million actually leased.

U.S. Coast Guard

The Coast Guard is the lead federal agency for safety offshore. The Coast Guard is directed under the OCSLA to identify and, if necessary, develop standards for all unregulated hazardous working conditions offshore. They also have authority over mobile offshore drilling units and other service vessels that are involved with the oil and gas industry. The Coast Guard also works with MMS, the Environmental Protection Agency, the Occupational Safety and Health Administration, and the Food and Drug Administration where they share jurisdiction. The Coast Guard is also responsible for ensuring compliance with drug testing programs in the offshore oil and gas industry.

The Coast Guard works with the National Offshore Safety Advisory Committee on finding ways to improve safety in the industry. Since 1990, the Coast Guard has been working with this Committee on developing a proposal for major revisions to outer continental shelf activities focusing on regulations for fixed facilities. In addition, the Coast Guard and the Committee are addressing the development of standards for tension-leg platforms, mobile inland drilling units (MODUs) working in shallow waters of the outer continental shelf, and for foreign vessels, besides MODUs, engaging in offshore activities.

Minerals Management Service

Minerals Management Service oversees the development of a 5-year OCS lease sale schedule and oversees that activities on these leases comply to federal laws and regulations.

Originally, the program was run through the U.S. Geological Survey and the Bureau of Land Management. MMS was created in 1982 by the Reagan Administration and is divided between the Royalty Management Program and the Offshore Program. MMS also conducts training schools for key personnel on offshore rigs. MMS is required to inspect every rig annually on a scheduled basis and will conduct random unannounced inspections. In 1990, the industry and MMS developed a Safety and Environmental Management Program with the intent of getting all employees to think and promote safety during every activity. This program should begin running pilot test this year.

Production

The United States today produces about half its total oil demand. Its resources come primarily from Prudhoe Bay, Alaska, the Gulf of Mexico, offshore California, and on land in several states. Since the beginning of the Federal OCS program in the 1950's, the industry has produced more than 8.5 billion barrels of oil and 87 trillion cubic feet of natural gas from the OCS.

The OCS plays a vital role in closing the gap between U.S. energy production and consumption. Over the past 15 years, oil imports have risen from 30% to right over 50%, with most energy experts expecting the U.S. demand for imported oil to increase to 66% by the year 2000. In order to reduce the need for imports, the U.S. must discover more new reserves of oil. Because the Arctic National Wildlife Refuge is currently off limits to production, new discoveries will come from offshore lands which now make up 80% of all new oil discovered.

Safety

According to the Coast Guard, during the 20 years between 1971 and 1990, the offshore oil and gas industry drilled 20,550 wells on the U.S. outer continental shelf producing 6.8 billion barrels of oil with only 908 barrels of oil spilled. This equates to 0.0000134 percent of oil produced.

During the 10-year period of 1980-1990, the industry improved its safety record by 342%, from an incident rate of 24.96 to 5.65 accidents per 200,000 work hours.

The industry over the years has developed several ways to make offshore oil and gas production safer for the environment. Today over 90% of the oil from the rigs is transferred to land through submerged pipelines. This establishes a closed system that reduces the risks of spills. In addition, production rigs are required to have safety valves buried beneath the ocean floor in order to shut off the flow of oil in case of an emergency. This is widely used when hurricanes enter the Gulf of Mexico. Besides these safety factors, rigs are required to have general equipment to clean up small oil spills, such as absorbent and boom.

Economic Benefits

There are substantial economic benefits to the U.S. through the exploration and production of oil and gas in the OCS. One benefit is jobs. Job creation not only benefits the coastal states where production occurs but also most inland states. The American Petroleum Institute states that for every 10 jobs created offshore, 37 jobs are added in onshore industries. However, since 1981, the oil and gas industry, including service and other related companies, has lost 450,000 to 475,000 jobs. With other external factors occurring, additional job loss is probable.

Since 1954 over $100 billion has been paid to the federal treasury for OCS production through lease bonuses, rents, and royalties. According to Energy Information Administration, Federal OCS revenues fell from $10 billion in 1981 to $3.4 billion in 1990 (66% reduction). MMS is second only to the IRS in collection of federal revenues. Twenty-four states depend on oil for at least 40% of the total energy they consume. While 21 states rely on natural gas for at least 20% of their total energy needs.

In addition, several funds have been established from OCS revenues toward specific uses. One of these is the 8(g) monies, (from the section in the OCSLA) that would be given to coastal states adjacent to OCS activities. The portion is 27% of the receipts from the area within a three mile zone adjacent to the State's lands. This is to help mitigate the economic and environmental effects from the development of the resources.

The Land and Water Conservation Fund Act, enacted in 1964, established the Land and Water Conservation Fund which is to be used to create and maintain a nationwide legacy of high quality recreation areas and facilities. The Fund is used to acquire federally authorized national park, conservation and recreation areas and for grants-in-aid to State and local governments to acquire, develop, and improve outdoor recreation areas. The Fund receives deposits from three main sources: OCS revenues derived from leasing of oil and gas sites in coastal waters, sales of Federal surplus real properties, and a portion of the Federal motorboat fuel taxes. The OCS revenue must guarantee that $900 million in deposits are available each year. Federal OCS revenues also help in funding the Historic Preservation Fund, which helps preserve historic properties.

STATUTORY AND REGULATORY REQUIREMENTS

The Submerged Lands Act

In 1953, Congress passed the Submerged Lands Act which granted the coastal States jurisdiction over a belt of submerged lands seaward of their coastlines to a distance of 3 miles. Both Texas and Florida (west coast only) were granted a distance out to 9 miles because they had established jurisdiction prior to statehood.

Outer Continental Shelf Lands Act

In 1953, Congress passed the Outer Continental Shelf Lands Act (OCSLA), (43 U.S.C. 1331-1356) which gave the federal government jurisdiction over the submerged lands of the outer continental shelf. It authorized the Secretary of Interior through the OCS Oil and Gas Program, to grant leases for production of oil, gas, and other mineral resources and to prescribe regulations governing these activities on OCS lands. The Act also recognized the need for safe operations that would minimize the likelihood of blowouts, fires, spills, and interference with other uses of the offshore waters.

In 1978, Congress passed amendments to OCSLA which directed the lease sales "to the maximum extent practicable" to strike a balance between the potential for oil and gas production and the potential for environmental damage and adverse coastal impacts. It also encouraged the development of new and improved technology to eliminate or minimize risk of damage to human, marine, and coastal environments; assured affected States and local governments timely access to information regarding OCS activities and the opportunity to review, comment, and participate in policy and planning decisions; and established an oil spill liability fund and a fishermen's contingency fund.

Oil Pollution Act of 1990

Under Section 4202 (a)(5) of the Oil Pollution Act of 1990, the President is responsible for certifying oil spill prevention and response plans for all offshore oil and gas facilities. This also includes platforms and pipelines in State waters. MMS is charged with ensuring compliance for response plans. MMS is also responsible for ensuring that all operators of offshore facilities comply with certifying the financial responsibility for oil spill liability at the increased level of $150 million. This includes any kind of facility located in, on, or under any navigable water in the United States. OPA-90 also restored the civil penalties that were originally in the OCSLA.

Other laws

Leasing and operations on the OCS are also subject to requirements from about 30 other Federal laws. These include the National Environmental Policy Act, the Endangered Species Act, the Coastal Zone Management Act, the Federal Water Pollution Control Act, the Marine Mammal Protection Act, the Land and Water Conservation Fund Act, and the National Historic Preservation Act. Oil and gas companies must obtain 17 federal permits and comply with 90 sets of federal regulations to operate on the OCS.

Drilling Moratoria

For the past decade Congress has imposed 1-year prohibitions on drilling and leasing off several coasts. These included Southwest Florida, most of the Pacific Coast, New England, in Alaska's Bristol Bay, the mid-Atlantic Coast, and off Florida Panhandle in the Gulf of Mexico. Both the Reagan and Bush Administrations objected to these bans. In 1991, President Bush issued an Executive Order extending the bans for 10 years in some of the areas but, continued to resist legislative restrictions.

The Clinton Administration

The Clinton Administration has stated support of some form for future drilling in certain areas of the OCS. The offshore oil and gas industry can be a vital part in meeting goals set by the Administration through job creation, trade deficit reduction, domestic investment, and greater supplies of natural gas for a cleaner environment.

On April 15, 1993, the Clinton Administration recommended to Congress to retain these temporary bans while the Interior Department reassesses the drilling program.
In addition, Commerce Secretary Ron Brown recently rejected a request by the State of Florida to reverse an agency ruling that would allow Chevron to explore for natural gas in the Gulf of Mexico 30 miles south of Pensacola.

ISSUES

1. How well are the federal and state governments and the oil industry prepared to respond to an oil spill from an OCS facility?

2. Have we reduced the risks of oil spills from OCS facilities to the lowest possible point?

3. Are moratoria on exploration and production necessary to prevent oil spills or are there less drastic measures that can protect the marine environment as well?

4. How does the OCS oil spill experience compare with spill from vessels carrying oil?

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DEPARTMENT OF TRANSPORTATION

U.S. COAST GUARD

STATEMENT OF REAR ADMIRAL JAMES C. CARD

ON OIL RIG SPILL PREPAREDNESS AND RESPONSE

BEFORE THE

SUBCOMMITTEE ON COAST GUARD AND NAVIGATION

COMMITTEE ON MERCHANT MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

FIELD HEARING - NEW ORLEANS, LOUISIANA

APRIL 26, 1993

REAR ADMIRAL JAMES C. CARD, U.S. COAST GUARD

Rear Admiral (lower half) James C. Card is presently serving as Commander, Eighth Coast Guard District, New Orleans, Louisiana. Previous assignments include: Chief of Staff, Thirteen Coast Guard District, Seattle, Washington; Chief of Operations, Eleventh Coast Guard District, Los Angeles, California; Chief, Merchant Vessel Inspection and Documentation Division, Coast Guard Headquarters, Washington, D.C.; Commanding Officer, Marine Safety Office and Captain of the Port Saint Louis, Missouri; Chief of Ship Design Branch, Marine Technical and Hazardous Materials Division, Coast Guard Headquarters; marine inspector at Marine Safety Office Baltimore, Maryland; naval architect at Coast Guard Headquarters; and sea tours on the Coast Guard Cutters WINONA, DEXTER and BARATARIA.

Rear Admiral Card is a Melrose Park, Illinois. He is a graduate of U.S. Coast Guard Academy of New London, CT, Massachusetts Institute of Technology of Boston, MA, and the Industrial College of the Armed Forces of Washington, D.C. His military decorations and awards include the Legion of Merit, Meritorious Service Medal with three gold stars, Coast Guard Commendation Medal, Coast Guard Commandant's Letter of Commendation Ribbon with one gold star, and various unit awards. He is married to the former Jean Howell of Franklin Park, IL and presently resides in New Orleans, LA.

DEPARTMENT OF TRANSPORTATION
U.S. COAST GUARD
STATEMENT OF REAR ADMIRAL JAMES C. CARD
ON OIL RIG SPILL PREPAREDNESS AND RESPONSE
BEFORE THE SUBCOMMITTEE ON COAST GUARD AND NAVIGATION
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Good morning, Mr. Chairman and distinguished members of the Subcommittee. I am Rear Admiral James C. Card, Commander of the Eighth Coast Guard District. I welcome the opportunity to talk to you today about the Coast Guard's involvement with the Outer Continental Shelf Lands Act of 1953, as amended in 1978; (various) vessel safety and inspection laws; and the relationship we have with U.S. Minerals Management Service (MMS) in implementing these laws as they relate to oil rig spill preparedness and response.

At the Federal level, the Coast Guard and MMS have a long history of cooperation in regulating the offshore oil and gas industry. As MMS has primary responsibility for oversight in this arena, my remarks will focus on the Coast Guard's role in complementing and supporting MMS efforts in three areas: vessel and facility inspection, response planning, and emergency pollution response operations. I will also comment on oil spill trends in the offshore environment relative to the offshore industry's performance in the pollution prevention and response arenas.

Inspection Regimes Applicable on the Outer Continental Shelf: The Coast Guard and Minerals Management Service share responsibility for regulation and oversight of the offshore oil and gas industry, as provided in the Outer Continental Shelf Lands Act and other marine environmental protection laws, including the Oil Pollution Act of 1990 (OPA 90). The Coast Guard inspects and certificates Mobile Offshore Drilling Units (MODUs) and offshore supply vessels (OSVs) in accordance with the inspection and pollution prevention requirements detailed in Titles 33, 43 and 46 of the U.S. Code as well as in federal regulations.

Coordination of regulatory responsibilities between our two agencies is facilitated by a Memorandum of Understanding (MOU) between the Department of Interior and the Department of Transportation signed on August 16, 1971, and an MOU between the Department of Interior and the Coast Guard signed on August 29, 1989.

These agreements assign responsibility to MMS for management of mineral leasing on the Outer Continental Shelf (OCS) and the regulation of all mineral exploration, drilling, completion, workover, and production activities on leased or leasable land. The Coast Guard is responsible for regulations to promote the safety of life and property on OCS facilities and vessels engaged in OCS activities as well as the safe navigation of vessels. The Coast Guard also enforces pollution prevention regulations and coordinates pollution response activities in the offshore environment.

In addition to coordinating our activities with MMS, the Coast Guard established the National Offshore Safety Advisory Committee (NOSAC) in 1988. The committee provides an active and beneficial forum for the discussion of public safety concerns related to offshore activity. NOSAC is sponsored by Rear Admiral Henn, Chief of the Coast Guard's Office of Marine Safety, Security and Environmental Protection. In particular, through its working groups, NOSAC has provided the Coast Guard cogent advice on such topics as vessel tonnage, regulations for lifesaving equipment, and drug testing procedures for the offshore maritime industry.

The Coast Guard inspects Mobile Offshore Drilling Units biennially in accordance with Title 46 Code of Federal Regulations, Subchapter I-A. In much the same manner as any other large commercial vessel, these inspections focus on vessel and personnel safety as well as pollution prevention.

Since 1988, the Coast Guard has encouraged and allowed fixed platforms to conduct annual self-inspections in accordance with Title 33 Code of Federal Regulations, Subchapter N. As with our MODU inspections, these required inspections focus on maintenance of personnel safety and pollution prevention standards. Results of these self-inspections and necessary corrective actions are reported to the Coast Guard. As part of our quality oversight, the Coast Guard conducts periodic, unannounced inspections of approximately three to four percent of these fixed platforms annually.

Response Plan Requirements: MMS has been delegated OPA 90 authority and responsibility for establishing facility response plan requirements for offshore rigs and platforms. These response planning requirements are a new twist on the oil pollution contingency plans MMS has long required offshore rigs and platforms to maintain as one of their operations manuals. MMS requires that response plans for offshore drilling rigs, both mobile and stationary, be submitted to MMS for approval in accordance with the Interim Final Rule published by MMS on February 8, 1993. Offshore Storage and Treatment (OS&T) facilities are similarly covered by MMS response plan requirements while moored at production facilities. If the OS&T facilities were to move to another location while laden with oil, a vessel response plan prepared in accordance with the Coast Guard regulations would be required. Coast Guard response plan requirements under OPA 90 were published in an interim final rule (IFR) of February 5, 1993.

In implementing our vessel response plan rules, the Coast Guard also addressed the status of offshore supply vessels (OSVs). A recent legislative change was adopted which stated that an OSV is not considered a "tank vessel" for the purposes of OPA 90. This OSV exemption from the requirement to submit vessel response plans was also published in the Coast Guard's IFR of February 5, 1993.

Response Coordination: The sharing of offshore oversight responsibilities between the two agencies makes it essential that emergency response operations be pre-planned and closely coordinated. Our MOUs identify the relationship between the Coast Guard predesignated On-Scene Coordinator (OSC) and the authorized MMS representative during an Outer Continental Shelf oil spill.

The MOUs underscore that in a spill, the first priority is always abatement of the discharge--stopping the flow of oil. As the Federal government's expert on well production and control, the authorized MMS representative has exclusive authority with respect to abatement of the pollution. As the federal spill clean-up and mitigation expert, the Coast Guard OSC has authority to direct spill containment and cleanup activities as outlined in the National Contingency Plan. I think it's important to note that within 500 meters of any drilling unit involved in an ongoing discharge, the MMS representative has sole authority to suspend cleanup activities to facilitate spill abatement activities. Once the source is secured, the Coast Guard OSC has sole authority to direct cleanup operations throughout the entire response area.

Because a substantial or prolonged discharge would involve representatives of both the Coast Guard and MMS, it is critical that the two agencies be prepared to conduct joint activities. I'm pleased to report that cooperation between the two agencies in preparing for response, fostered by several mechanisms, is working well.

In accordance with OPA 90, the Coast Guard chairs the Area Committees with spill contingency planning responsibility for the OCS. Area committee membership is drawn from Federal, state, and local government agencies having oil spill response concerns within the local area. MMS has membership on these Area Committees and is participating in the development of Area Contingency Plans which provide for the coordinated emergency spill response of the entire response community, including Federal, state, and local agencies; the community; environmental interest groups; and the industry.

Training and exercises are important measures of preparedness. The MMS is participating with the Coast Guard in a series of public workshops intended to establish a National Preparedness for Response Exercise Program. These workshops will serve as the foundation for a set of national guidelines covering the planning, scheduling, execution, evaluation, and documentation of all pollution response exercises at the local area, regional and national levels. With the establishment of national exercise standards, MMS and the Coast Guard will further enhance our cooperation in preparedness and response by planning and executing joint offshore exercises in the offshore environment.

Spill Data and Trends: An analysis of available spill data from 1987 through 1991 (the most recent five year period available) indicates that spills from MODUs, OSVs, offshore pipelines, and offshore marine facilities tend to be small both in terms of the number of incidents, and the quantity of oil spilled per incident relative to other sources of pollution.

In closing, I am confident that the new response plan requirements and the continued emphasis on response coordination, especially between the Coast Guard, MMS and industry, will help prevent and mitigate oil spills in the Outer Continental Shelf region.

Thank you for the opportunity to be with you today and provide comments on this important issue; I would be pleased to answer any questions you may have.

Testimony of
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Department of the Interior
Minerals Management Service

Before the
Merchant Marine and Fisheries Committee
Subcommittee on Coast Guard and Navigation

U.S. House of Representatives
April 26, 1993

Mr. Chairman and Members of the Subcommittee, I am pleased to have this opportunity to testify on the effectiveness of the various safety and pollution regulations which help prevent oil spills from offshore oil and gas facilities and our ability to respond to such spills. The Minerals Management Service (MMS) is the primary Federal agency for ensuring that all aspects of oil, gas, and sulphur leasing, exploration, development, production, and abandonment activities on the OCS are conducted in a safe and environmentally sound manner. Safety, environmental protection, and conservation of resources are our highest priorities and every reasonable precaution is taken to minimize the risk of human injury, oil spills, or environmental degradation from lease activities and inefficient production practices.

The OCS Lands Act (OSCLA) states in part:

> "Operations in the OCS should be conducted in a safe manner by well-trained personnel using technology, precautions, and techniques sufficient to prevent or minimize the likelihood of blowouts, loss of well control, fires, spillages, physical obstruction to other users of the waters or subsoil and seabed, or other occurrences which may cause damage to the environment or to property, or endanger life or health."

To carry out this mandate for safe and clean operations the MMS established a comprehensive regulatory program made up of distinct components including leasing and operating regulations, review of lessee and operator plans and permit applications, inspections, operator training requirements, and a technology assessment and research program. Today the program has evolved considerably since exploration and development of the OCS began 40 years ago. MMS continuously reviews and, as necessary, revises its regulations to respond to new legislation, the changing operating environment, technological advancements, and environmental concerns, while at the same time striving to meet the energy needs of the United States.

The offshore industry's record for safety and pollution prevention is excellent by all standards. This is due in part to a commitment by the industry and a comprehensive regulatory program administered by the MMS and the work of other Federal agencies with offshore jurisdiction including the U.S. Coast Guard (USCG), Office of Pipeline Safety (OPS), Environmental Protection Agency (EPA), the National Marine Fisheries Service (NMFS), and the Army Corps of Engineers (COE). Even so, MMS and the oil and gas industry are continuously working to improve the safety and pollution record of offshore operations. The 1988 Piper Alpha tragedy in the North Sea that killed 167 platform workers and the 1989 Exxon Valdez oil spill in Alaska have helped industry and Federal managers recognize that a full commitment to safety not only makes good social sense but also makes good commercial sense.

Record of Clean Operations

The Federal OCS is a major source of our Nation's domestic oil and gas. It supplies approximately 25 percent of our natural gas and approximately 12 percent of our domestic oil. In 1992, the OCS produced approximately 860,000 barrels of oil per day and accounted for 5 percent of U.S. consumption which amounted to 15.7 million barrels per day. The OCS also produces approximately 13 billion cubic feet of natural gas per day, an amount equal to the current natural gas consumption of all current residential customers. The volume of natural gas produced annually on the OCS provides the energy equivalent of approximately 800 million barrels of oil. If this amount of oil were imported in super tankers, more than 1,200 trips would be required.

As stated previously, the U.S. offshore oil and gas industry has compiled an excellent record of clean operations. For example, between 1971 and 1991 oil production from OCS wells was over 7.1 billion barrels, or more than 930,000 barrels per day. During this same period, 1,860 oil spills of one barrel or more were recorded in the OCS, resulting in a total discharge of 108,000 barrels. The amount of oil spilled compared to the amount produced was 0.0015 percent, or 15 parts per million--roughly equivalent to spilling a quarter of a teaspoon of gasoline from a twenty-gallon automobile fuel tank. Moreover, the volume of oil spilled from OCS platforms in the past 10 years is less than the volume that seeps naturally into California's Santa Barbara Channel in 10 days. It is estimated that approximately 1,000 barrels of oil per day seep naturally into all U.S. waters. This is approximately 100 times the average per day amount of oil that is spilled each day from OCS facilities and pipelines as a result of accidents and weather-related causes.

MMS Regulatory Program

Issuance of an OCS oil and gas lease conveys rights to explore for, develop, and produce oil and gas in the OCS. Because of the high level of public and government interest in safe and clean OCS operations, MMS promulgates regulations for all aspects of OCS activities. These regulations can be found in the Code of Federal Regulations, Title 30, Chapter II, Subchapter B-Offshore, Parts 250 to 282 and Subchapter C-Appeals, Part 290. In addition to the regulatory program, MMS conducts and commissions environmental studies, consults with State and other Federal agencies, and carries out programs to assure that lessees are financially responsible and able to meet all their lease obligations. MMS requires operators to obtain approval of their plans for carrying out various stages of development, including exploration plans, development and production plans, drilling permits, platform and pipeline permits, and oil spill contingency plans. Industry's plans and permits are reviewed to ensure that operations are safe and conducted in a manner that protects the environment. Following completion of production activities, MMS requires lessees to properly plug and abandon wells, remove platforms, and clear lease sites of debris.

Inspection and Enforcement Program

In order to verify that the mandates of the OCSLA and MMS regulations are being carried out, MMS conducts a scheduled inspection program which includes a complete inspection of each OCS facility at least once a year. We also conduct unannounced inspections to ensure continued compliance with applicable regulations. MMS's inspection and enforcement policy arises from the principle that lease operators are responsible for ensuring the safety of operations, preventing pollution, and complying with applicable legal requirements. Therefore, an integral part of our safety and environmental protection strategy is to confirm that operators are regularly inspecting and properly maintaining their facilities.

Our inspection program involves drilling and production operations, production measurement and verification, site security, pipeline safety, well completions, well workovers, well and platform abandonments, as well as inspections for oil pollution, air and water quality, and oil spill preparedness. Inspections are performed by MMS personnel who check operations, systems, and devices against a checklist of potential incidents of noncompliance (PINC) related to the operation being inspected. During a recent three year period, MMS conducted nearly 31,000 separate inspections of offshore platforms and drilling rigs. In the average production and drilling inspection, MMS inspectors checked between 20 and 300 separate safety and pollution prevention items, depending on the type and size of the operation. This amounted to inspecting an average of over one million separate items each year. The results of all inspections are maintained in an MMS data base.

With specific regard to oil spill preparedness, MMS requires operators to prepare and submit an oil spill contingency plan as part of an exploration plan and development plan. Operators are required to test their oil spill contingency plan once each year to ensure that personnel, equipment, and procedures are adequate. In addition, MMS spot checks contingency plans by requiring operators to implement their plans during unannounced simulated oil spill drills. MMS requires operators to perform about 30 unannounced drills each year.

The MMS inspection force consists of 68 inspectors and 32 engineers in 3 regional offices and 6 district offices. The MMS contracts 15 helicopters to transport inspecting personnel to offshore facilities. In order to more effectively monitor and enforce its regulations in the changing offshore oil and gas industry, the MMS is enhancing the skills and knowledge of its inspection workforce through a new and more extensive training program. The program also emphasizes cross training in different aspects of OCS activities such as drilling, production, pipelines and other operations in order to provide MMS with a more flexible inspection workforce.

If a violation is not severe or life threatening, a warning citation or Incident of Noncompliance (INC) is issued. The condition cited in a warning INC must be corrected within a prescribed amount of time. If the violation is more serious, or threatens safety or the environment, a shut-in INC is issued. A shut-in can be ordered for a single component, a well, a portion of the facility, or for the entire facility. A shut-in INC must be corrected before the operation can be resumed.

MMS also can impose civil penalties, and, if the violations are willful, sanctions through the Department of Justice. Civil penalties of as much as $20,000 per day, for non-compliance with safety and environmental protection laws and regulations can be an effective means of deterring violations.

However, Section 8201 of the Oil Pollution Act of 1990 (OPA) expanded and strengthened MMS' original civil penalty authority. MMS is now authorized to assess a civil penalty without first providing notice and time for corrective action in cases where a violator's failure to comply with applicable regulations "constitutes or constituted a threat of serious, irreparable, or immediate harm or damage." This additional regulatory strength will force operators to be most conscious of all regulatory requirements and to maintain prudent maintenance and repair programs. In FY 1992, MMS assessed three civil penalties; one was paid, and the other two continue under appeal in FY 1993. Several additional cases where civil penalties may be appropriate are currently pending.

The MMS is assessing regulatory policies and requirements for control technologies that will assure safe and environmentally prudent operations. Recognizing the changing nature of the Gulf of Mexico (GOM) operating environment, an MMS task force on inspection and enforcement recommended all OCS operators be required to develop and implement a Safety and Environmental Management Program (SEMP). The task force envisioned SEMP as a way for operators to address personnel safety and environmental protection directly by describing: the responsibilities of company officials, employees, and contractors; training programs; auditing systems; and the means for assuring safe operations and compliance with safety and environmental protection regulations. The American Petroleum Institute (API), with MMS encouragement and participation, has responded by developing recommended practice, RP 75, to apply the concepts of SEMP. The MMS has urged the industry to voluntarily adopt RP 75. This will afford MMS and the industry an opportunity to monitor and assess the effectiveness of RP 75.

The MMS training regulations require lessee and operator personnel to be trained in drilling, well completion/workover, and well servicing, well-control, and production safety systems. Personnel must successfully complete a basic training course every four years and refresher courses every year for well control, and every other year for production safety system training. There are currently 61 schools certified by the MMS to provide this training. Upon demonstrating compliance with MMS training requirements, schools are certified to teach offshore personnel. Schools must be recertified every four years. Training schools are subject to announced and unannounced evaluations and audits by MMS. Since the program began in 1980, 125,000 workers have been trained in the most current safety practices relative to their particular job functions and brought up-to-date on the latest technologies in drilling, production, and transportation operations

TA&R Safety and Oil Spill Response Technology Research

The Technology Assessment and Research (TA&R) Program was established in 1977 at the urging of the National Academy of Sciences (NAS) and other advisory groups to independently assess the status of OCS technologies. The OCS Lands Act Amendments of 1978 require the Department of the Interior to require the use of the best available and safest technologies. MMS conducts applied research where technology assessments indicate concern for safe, pollution-free operations. Universities, government laboratories, and private companies, domestic and foreign, carry out research projects under contracts to MMS. The findings of this research are used to support critical MMS operational requirements including permit and plan approvals, safety and pollution inspections, accident investigations, enforcement actions, and well-control training requirements. Research topics include blowout prevention technology, structures and pipeline integrity, earthquake monitoring off California, operational safety, aging platforms, and air pollution control.

In 1986, MMS entered into a cooperative agreement with Environment Canada, a Canadian government agency, to pursue research in oil spill detection and response. Through this cooperative effort, significant strides in oil spill containment and clean-up technology are being made, including (1) the development of an airborne laser sensing system to determine the presence and thickness of oil slicks; (2) improved dispersants and treating agents for use on weathered oils; (3) test procedures for evaluating the effectiveness of oil-containment booms and skimmers; and (4) assessment of the air quality implications of burning oil on the ocean. In the latter category, MMS has determined that burning spilled oil on the ocean surface can be an extremely effective open ocean spill response. Moreover, the research has found that the airborne products of combustion are no more toxic than the raw unburned vapors.

The MMS plays an additional and important role in oil spill response research by operating the Oil and Hazardous Materials Simulated Environmental Test Tank (OHMSETT) facility, the only ocean-emulating test tank in the U.S. that allows full-scale testing of oil spill containment and clean-up equipment in the presence of oil. Such testing is critical to evaluating currently available equipment and developing new technologies.

Title VII of OPA established an Interagency Coordinating Committee on Oil Pollution Research, which is comprised of 10 Federal agencies, and charged the committee to ensure long-term use and operation of OHMSETT. OHMSETT is fully operational and has been conducting tests since fall 1992.

Hurricane Andrew Damage Assessment Project

As a result of Hurricane Andrew, a massive storm which struck the GOM on August 26, 1992, specially appropriated funds in the amount of $1.2 million, to be made available until expended, were provided to the MMS to support an investigation of the damage caused by the hurricane and an assessment of the implications for OCS oil and gas operations, safety, pollution prevention, and Government regulations. As a result of the hurricane, more than one-third of the oil and one-fifth of the natural gas production in the Gulf was temporarily shut in. As of February 1, 1993, 98 percent of all shut-in production had been restored. Although hurricane damage to the offshore oil and gas industry was extensive, no human casualties were reported. One hundred seventy-four structures were toppled or damaged beyond repair, an additional 100 platforms suffered significant structural damage, and 359 incidents of damage to pipelines were reported. Five mobile drilling rigs were set adrift, 2 fires were reported, and 7 pollution events occurred, the largest resulting from a damaged pipeline which leaked approximately 2,000 barrels of oil. However, essentially all MMS required safety systems functioned as designed to accomplish well/or facility shutdown.

The MMS will fund contract engineering analysis and research to assess the damage caused by the hurricane and to analyze platform and pipeline design criteria and construction practices.

Oil Pollution Act 1990 and Expanded Responsibilities for MMS

Congress enacted the OPA on August 18, 1990, in the wake of the Exxon Valdez oil spill. Prior to the passage of OPA, MMS had jurisdiction for oil spill prevention and response plans of Federal leases on the OCS, but not in State waters. Under OPA, this authority was expanded to cover all offshore facilities (except deepwater ports) including platforms and pipelines in state waters. Additionally, MMS has been given the responsibility to ensure that lessees, owners, and operators of offshore platforms and pipelines establish and maintain proof of financial capability to clean up and pay for damages caused by oil spills from their offshore facilities.

Executive Order 12777 transferred the Certificate of Financial Responsibility (COFR) program for offshore facilities to the MMS from the U.S. Coast Guard (USCG). The MMS is implementing existing USCG oil spill financial responsibility requirements for $35 million pending development of new regulatory requirements for $150 million pursuant to OPA.

We expect to issue an Advanced Notice of Proposed Rulemaking (ANPR) in the immediate future to facilitate gathering information concerning certain issues prior to developing new regulations.

Shared Responsibilities on the OCS

Safety and environmental protection issues on the OCS are complex. The MMS shares responsibility for oversight of OCS operations with a number of other Federal agencies including, the USCG, EPA, Department of Transportation (DOT), NMFS, and others. MMS and USCG share responsibility for personnel safety and emergency response. MMS and DOT have overlapping jurisdiction over roughly 16,000 miles of active OCS oil and gas pipelines for purposes of ensuring structural integrity, right-of-way siting, and safety issues. Under a 1976 Memorandum of Understanding (MOU), the MMS reviews and approves applications for DOT pipelines in accordance with DOT regulations. MMS and DOT's Office of Pipeline Safety (OPS) are currently negotiating a new MOU to reassign responsibilities.

In many cases, interagency coordination has led to significant accomplishments. For example, the oil and gas industry submits approximately 150 applications for platform removal each year. Approximately 70 percent of the applications include the use of explosives, the method preferred by operators. In order to avoid killing or injuring marine mammals and endangered marine turtles at or near a removal site, MMS imposes special conditions and requirements to minimize or eliminate this threat. Of the roughly 150 removal proposals submitted to MMS annually since 1987, only about 5 percent require individual Endangered Species Act (ESA) Section 7 consultations with the National Marine Fisheries Service (NMFS) to ensure that the removal by explosives will not jeopardize the continued existence of listed marine turtles or harm marine mammals. The rest are accomplished by nonexplosive means or are conducted pursuant to a generic

1988 ESA biological opinion which sets conditions and requirements for removal of certain sizes, types, and configurations of explosives.

No marine mammal or turtle injuries or mortalities have been observed in association with explosive structure removals since MMS imposed special conditions and requirements in 1987. In light of this, MMS and NMFS informally agree that less restrictive changes in the conditions, requirements, and composition of the removal category may be justified. This agreement is expected to be formalized in a new biological opinion following completion of projected renewed ESA Section 7 formal consultation.

Also, in consultation with the State of Louisiana in 1990, a Notice to Lessees and Operators was prepared regarding the minimum requirements for site clearance of abandoned oil and gas structures in the GOM. As a result, site clearance is presently carried out and verified by trawling the area from which a platform or structure was removed from to ensure that the site has been properly cleared. The trawling is carried out by a licensed trawler in accordance with a specific plan submitted to and approved by the MMS.

The Offshore Oil and Gas Industry Today and Forecast for the Future

The early 1980's saw OCS oil production rise to a high of 950,000 barrels per day through 1985. Following the 1986 price collapse, production again dropped off, and by 1992, was down to 860,000 barrels per day. Although U.S. oil consumption is roughly equal to that of 1973, domestic production is at its lowest level since the 1960's. Imports now provide about half of the oil consumed in the U.S.

Several factors, including low crude oil prices over the past 10 years, have resulted in declining profit margins for major oil companies. As a result, major oil companies are focusing the majority of their exploration efforts on overseas areas where higher profits can be realized.

Also, major oil companies have restructured, reduced staff and streamlined their U.S. operations. Part of this streamlining has resulted in major companies assigning some of their marginal properties to smaller operators with lower overhead costs that allow for continued production from marginal fields. As a result, the number of operators on the OCS has increased steadily over the past 10 years from less than 70 to 169.

One significant aspect of the entrance of small operators into the OCS arena is that the life of declining fields will be extended. Oil and gas resources that would be otherwise abandoned because they are unprofitable to major oil companies are profitable to small operators. There is, however, an increased potential that some small operators will fail and leave unfunded liabilities for the abandonment of wells and facilities. About 30 percent of the 169 operators in the GOM operate only one facility (out of a total population of 3,800 facilities). Through changes to its regulations and through other means, MMS is working to ensure that operators have adequate bonding to address any potential future liabilities before approving assignments of leasehold interests.

Since OCS leasing commenced in 1954, approximately nine billion barrels of crude oil and 100 trillion cubic feet of natural gas have been produced from GOM leases through 1992. An additional 2.3 billion barrels of crude oil and 32 trillion cubic feet of natural gas are known to exist in proven fields in the GOM - representing nearly 10 percent of the Nation's remaining oil reserves and approximately 20 percent of the Nation's remaining natural gas reserves. Several recent discoveries in the deeper waters of the GOM are thought to contain nearly 1 billion barrels of crude oil and 2-3 trillion cubic feet of natural gas - although the quantities will not be known until further drilling takes place.

Furthermore, estimates of the amounts of crude oil and natural gas resources yet to be discovered in the GOM indicate that 5-15 billion barrels of crude oil and 60-160 trillion cubic feet of natural gas may exist beneath the Gulf's waters - and nearly one-half of that may be commercially developed under current projections of costs and prices. Production from GOM leases alone contributes slightly more than 11 percent of the Nation's total domestic oil production and approximately 25 percent of the Nation's total domestic natural gas production. Hence, the GOM remains one the most important of the Nation's oil and gas producing provinces - and is expected to remain the most promising area of the OCS well into the next century.

There is currently a spirit of cooperation among the major companies that has never previously existed to develop the technology and put in place cooperative development schemes that will make 30 or 40 million barrel-fields commercial finds. It is this lure of the deepwater potential that has kept the major oil companies active in the GOM.

Conclusion

Safety and environmental protection are our highest priorities and every reasonable precaution is taken to minimize the risk of human injury, oil spills, or environmental degradation from operational discharges due to OCS natural gas and oil development. We believe the focus on clean and safe operations is one of the main factors that contribute to the excellent record of offshore operations. In addition, we look forward to working with Congress and other interested parties on ways to improve upon this record.

This concludes my prepared remarks. However, I will be pleased to answer any questions you may have.

TESTIMONY BEFORE THE COAST GUARD AND NAVIGATION SUBCOMMITTEE UNITED STATES HOUSE OF REPRESENTATIVES COMMITTEE ON MERCHANT MARINE AND FISHERIES

BY

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Good afternoon Mr. Chairman and distinguished members of the Coast Guard and Navigation Subcommittee. We appreciate the opportunity to present to you our recommendations and concerns relating to offshore drilling and production oil spill response and pollution prevention issues.

STATE INVOLVEMENT WITH THE MINERALS MANAGEMENT SERVICE (MMS)

The State of Louisiana is working very closely with the Minerals Management Service in assisting that agency with the implementation of OPA '90 provisions relating to oil spill prevention and response preparedness for all state and federal offshore oil and gas facilities. Specifically, the State of Louisiana played a key role in identifying and notifying state offshore operators of their legal obligation to submit facility response plans to MMS. The State identified approximately thirty independent state operators, most of whom were unaware of the submission deadlines for response plans. Although OPA '90 specifically tasked MMS with the responsibility for offshore facility response plans, the State of Louisiana did not hesitate in assisting MMS in this area. Likewise, MMS has been an invaluable source of information to the State and has readily made this data available to the state. It is precisely this type of cooperation among state and federal agencies which must systematically exist to ensure complete and effective implementation of OPA '90.

The MMS has gone on record advocating that specific provisions of OPA '90 regulating state offshore operations should be administered by its state counterparts. To the extent that this would avoid or minimize duplication of effort and result in more effective regulation, the State of Louisiana concurs with this approach. However, because of the state's fiscal crisis and reduction in the state work force, the state could not take on this additional federal responsibility without adequate funding from the federal government.

STATE INVOLVEMENT WITH THE OFFSHORE OIL AND GAS INDUSTRY

Although the enactment and full implementation of OPA '90 assures the public that both private and public sectors will reach new horizons in the oil spill prevention and response arena, we must not overlook the past and present efforts of the Gulf of Mexico producers and operators in responding to oil spills. These efforts date back to 1972 when thirty-three companies operating in the Gulf of Mexico formed Clean Gulf Associates (CGA). These companies pooled their resources to stockpile special spill recovery equipment and train personnel to use it in the event of an oil spill. Although CGA responds primarily to production spills, it responded to the Mega Borg spill in June, 1990. Most recently, CGA was a primary response resource during the Greenhill Petroleum Blowout in 1992. Additionally, CGA has over $10 million worth of equipment strategically located at nine bases from Texas to Florida.

Without question, the dependable, state-of-the-art oil spill response infrastructure established by CGA will serve the State of Louisiana, and the Gulf Region well, especially in view of the impending OPA '90 regulatory deadlines. However, if the regulatory initiatives mandated by OPA '90 for offshore facilities are to accurately reflect the economic and practical realities of the offshore oil and gas industry, both state and federal regulations must solicit and utilize data that is based upon actual experiences within the industry rather than half-truths espoused by those who are unfamiliar with oil and gas production in offshore waters.

MMS is to be commended for being reasonable and realistic in its approach to regulatory initiatives under OPA '90. Together, the State of Louisiana, MMS, the CGA, the regulated community, as well as the environmental community must continue moving forward to implement the numerous, complex provisions of OPA '90 with an eye toward reasonableness and forethought.

FINANCIAL RESPONSIBILITY REQUIREMENTS FOR OFFSHORE FACILITIES

OPA '90 requires "... each responsible with respect to an offshore facility ..." to "... establish and maintain evidence of financial responsibility of $150 million..." The State of Louisiana respectfully asserts that this figure appears to be high. Offshore facilities have been operating in the Gulf of Mexico since 1938. However, when compared to transportation related spills in the Gulf of Mexico, production spills are relatively few in number and appear to be isolated. Likewise, the environmental damage resulting therefrom has been minimal. Accordingly, we respectfully request this Subcommittee to revisit these particular financial requirements.

ADMINISTRATION OF THE OPA '90

Although the enactment of the federal Oil Pollution Act of 1990 demonstrates a magnificent comprehensive effort by the federal government to address the myriad of complex issues associated with oil spill prevention and response, its implementation remains fragmented often resulting in inconsistent policies set forth by the various regulatory agencies. Unlike most states which have created highly centralized, neutral state agencies to whom all questions regarding oil spill prevention and response are directed and from whom all decisions on this subject matter emanate, the federal government has basically turned each participating federal agency loose to independently interpret and implement OPA '90 and the attendant Executive Order. While the efforts of this Subcommittee to keep the Congress and American people apprised of OPA '90 developments serve a useful purpose, the federal government needs to do more by way of communicating and interacting with the regulated communities, including the states. Additionally, agencies such as the Coast Guard and EPA publish periodic OPA '90 updates. However, these publications fall short of depicting the entire OPA '90 "regulatory picture." We respectfully request this Subcommittee to investigate the feasibility of establishing an OPA '90 information and regulation clearinghouse so that parties concerned may be kept abreast of all developments in the OPA '90 implementation phase in a comprehensive and timely manner.

CONCLUSION

Mr. Chairman, I hope this information is helpful in your examination of the issues concerning offshore drilling and production oil spill response and pollution prevention issues. I will be pleased to respond to any questions.

TESTIMONY

Norman J. Giese

Development Manager, Marathon Oil Company

For
Clean Gulf Associates

Before the

Subcommittee on Coast Guard and Navigation

U. S. House of Representatives

April 26, 1993

Good Morning, Mr. Chairman. My name is Norman Giese. I am Development Manager for Marathon Oil Company in Lafayette, Louisiana. I am testifying on behalf of the membership of Clean Gulf Associates as Chairman of its Executive Committee. With me is Dick Armstrong, Executive Director of Clean Gulf Associates.

My comments are specifically related to the oil spill response capability made available by Clean Gulf Associates to the Exploration and Productions operations in the offshore Gulf of Mexico. Clean Gulf Associates, or CGA, was formed in August, 1972, and has grown from 33 original members to a current membership of some 140 companies. The CGA membership are those Exploration and Production companies who own and operate State or Federal leases in the offshore environment of the Gulf of Mexico. The area of operation is the Gulf of Mexico from Brownsville, Texas, to the Florida Keys, and as far inland as the Intercoastal Waterway.

CGA has a Board of Directors with one representative from each member company comprising the Board. Management is conducted by a nine-member Executive Committee and a full-time Executive Director.

Halliburton serves as the prime contractor of CGA. Halliburton purchases, owns, and maintains spill response equipment as directed by CGA and for the exclusive use of CGA members. Halliburton also performs the rental of CGA equipment to member companies. Provisions are in place to release equipment for rental to non-member companies with approval of the CGA Executive Committee.

CGA is not a full service, oil spill response contractor, but rather is an equipment supplier. CGA supplies each member with a comprehensive manual on the use of the equipment. However, each member is responsible for their own spill response plan as well as acquiring the boats and trained operating personnel necessary to put the equipment into use.

CGA currently has approximately $11 million of equipment inventory prepositioned at nine response bases strategically located along the Gulf of Mexico coastline (Port Aransas, Galveston, Cameron, Intracoastal City, Houma, Grand Isle, Venice, Theodore, Panama City). The equipment is specifically designed to recover medium gravity crude oils which are common to the production operation in this area. The equipment includes 23 skimming units; 33,000 feet of boom; 43,000 gallons of dispersant; and communications equipment. A more complete equipment list is provided as an attachment to the testimony. Equipment under consideration for the future includes Aerial Dispersant Spray Delivery Capability, fire resistant boom and long range/remote sensing or tracking capability.

Of the Clean Gulf equipment, the "Identified Boat" or "ID" boat concept is of particular importance to production operations. The 4 ID boats are routinely working as supply boats within production operations, but have the added value of CGA skimming equipment located on their decks. At the time of call-out, the ID boat is relieved of its normal duties and is available for rapid response to the site of a production oil spill.

In addition to CGA initiatives, the Gulf Coast area has and will expand other equipment capabilities through such organizations as LOOP, MIRG (Marine Industry Group), NRC (National Response Corp.), MSRC (Marine Spill Response Corp.), as well as the local oil spill response contractors.

Training on equipment use is another important aspect of spill response. In 1992, Halliburton conducted 81 training classes for member companies. Through these classes, approximately 2100 personnel, primarily member company employees, were introduced to the operation of the equipment. In addition, CGA has set out on a program to train crews from local oil spill contractors on the operation of CGA equipment. Our objective is to insure that a cadre of trained contractors are available to our members. To date, 69 contract personnel have been trained on FRU's and shallow water skimmers; 7 crews trained on ID boat equipment; and a 16-man crew trained on the HOSS barge each year. The MMS unannounced drill program has also been productive to increase training and overall preparedness of our member companies and contractors.

The final area of comment is the cooperative effort underway to develop spill response planning tools along the Gulf Coast. CGA believes that development of sensitive area mapping capabilities and trajectory models are critical to proper planning. In that regard, CGA supports the efforts that are now being initiated through the Regional Technical Work Group and the MMS Coastal Marine Institute. As a side note, CGA was happy to sponsor the "Effects of oil on Wildlife Conference" held in New Orleans on January 28 & 29, 1993. The conference was organized by Tri-State Bird Rescue and Research, Inc.

That concludes my remarks and I am happy to address your questions.

CGA OIL SPILL RESPONSE EQUIPMENT

(1) HIGH VOLUME OPEN SEA SKIMMER (HOSS) BARGE (1 each)

The HOSS Barge is a 52′ x 174′ purpose-built skimming vessel. The primary skimmers are four 36" x 30′ inclined plane units consisting of a coarse backing belt with oleophilic pads attached by velcro. The secondary skimmers are floating weir-type with positive displacement pumps. Induction pumps are set into the hull behind each pair of skimmers. Two 500′ x 72" boom sections direct the oil to the skimmers. There are four below-deck oil recovery tanks with a combined capacity of 4,138 barrels. Twin power packs supply power oil to all of the skimming and off-loading equipment. A crew of 20, plus a company supervisor, man the barge.

(2) FAST RESPONSE UNIT (FRU) (13 each)

The CGA FRU is a self-contained, transportable weir-type skimming system consisting of an over-the-side outrigger/skimming boom/"Don Wilson Skimmer" combination; a 100- or 180-bbl. primary skid complete with a diesel-powered hydraulic system, centrifugal pump, articulated crane and winch. A secondary skid with either 100- or 180-bbl. tank, plus connecting hoses, fire extinguisher, spare parts, chains and chain binders complete the package. A supervisor and three-man crew are needed to operate the skimmer.

(3) MARCO CLASS I SHALLOW WATER SKIMMERS (3 each)

These self-propelled aluminum-hulled skimming vessels range from 34′-38′ in length and 10′0" - 10′5" in width. They are all equipped with a single 1′ x 12′ inclined plane skimming belt and pad system similar to the primary units on the HOSS Barge. On board storage capacities range from 90 gallons to 34 barrels, depending on the unit. Two 50 barrel cargo barges are available for use with each skimmer. The skimmers are trailer mounted for highway transport. A supervisor and a two man crew are needed to operate the units.

(4) EGMOPOL SHALLOW WATER SKIMMERS (On order) (2 each)

These self-propelled steel-hulled skimming vessels are 34′6" in length and 13′4" in width. They are equipped with a single 23.6" wide horizontal weir type skimmer and utilizing flexible sweepers fitted onto a conveyor belt to move oil and water into a 94 bbl. settling/oil storage tank.

These skimmers will also be mounted on trailers for highway transport.

A supervisor and a two man crew operate the skimmer.

(5) IDENTIFIED (ID) BOATS (4 each)

Located in South Timbalier Block 26, West Cameron Block 71, South Marsh Island Block 240 and South Pass Block 62.

CGA self-contained skid mounted packages located on member utility boats working in relative near shore areas. Equipment includes a diesel engine driven power pack, 50 bbl. oil water separator/storage tank, articulated crane, winch, offloading pump, outrigger, skimming boom and GT-185 weir skimmer with a power driven "screw type" pump. Also included is 500′ of Expandi 4300 containment boom. (Listed below under boom) CGA furnishes one extra boat crewman to maintain the equipment and assist the cleanup crew. CGA furnishes a cellular telephone for each boat plus three radios for the crew. Boats are released from charters to work for spiller. Member furnishes clean up crew.

(6) EXPANDI 4300 SELF-INFLATING OPEN SEAS CONTAINMENT BOOM 20,000′

18,000′ at 9 CGA bases, plus 4-500′ rolls on ID Boats.

43" boom in 500′ rolls. Can be deployed from a boat or air lifted by a Bell 212 or equivalent helicopter.

(7) 36" NEARSHORE BOOM 3,000'

3-1,000' sections at 3 CGA bases, complete with anchor systems. Stored in metal frame boxes for truck trailer or boat transport.

(8) SHORELINE PROTECTION BOOM 10,000

20 - 500' (in 50' rolls) lots at 9 CGA bases. Consists of an upper air-filled floatation chamber and a lower water-filled ballast chamber. Air blower, water pump, end connectors and anchor system in each self-contained aluminum storage/transport box.

(9) DISPERSANT BOAT SPRAY SYSTEMS

Located at 5 CGA bases. Consists of 2 - 30' spray booms, diesel-driven water and dispersant pumps, and 2 - 500 gallon tanks of dispersant.

(10) COREXIT 9527 DISPERSANT (43,375 gallons)

Stockpiled at Exxon Chemicals warehouse, Houston, TX and 6 CGA bases. Storage in drums (625 - 55 gallon drums) and bulk (18 - 500 gallon DOT tanks.

(11) MISCELLANEOUS

Wildlife Rehabilitation Equipment with Storage/Transport Trailer
Radio Systems with Storage/Transport Trailer
Hand Skimmers
180 bbl. Storage Tanks
Pumps (various)
Compressors
Generators
Classroom/Training Facility
Spare Parts Trailers

OIL SPILL PREPAREDNESS IN OFFSHORE WATERS AN OFFSHORE E&P INDUSTRY PERSPECTIVE

PRESENTED TO:
Committee on Merchant Marine and Fisheries -
Coast Guard and Navigation Subcommittee
April 26, 1993 In New Orleans, Louisiana

PRESENTED BY:
Richard A. Fitch
Executive Director
Offshore Operators Committee
New Orleans, Louisiana

OIL SPILL PREPAREDNESS IN OFFSHORE WATERS - AN OFFSHORE E&P INDUSTRY PERSPECTIVE

INTRODUCTION

My name is Dick Fitch. I am Executive Director of the Offshore Operators Committee (OOC). The OOC is an organization of some 60 companies that conduct essentially all of the oil and gas exploration and production activities in the Gulf of Mexico Outer Continental Shelf (OCS). Comments made on behalf of the OOC are submitted without prejudice to any member's rights to have or express different views.

We appreciate the opportunity to present this testimony to the U.S. House of Representatives Subcommittee on Coast Guard and Navigation. The Industry is proud of its record in preventing major oil spills in the Outer Continental Shelf. Consistent with our aim to be good stewards of the environment, one of our primary objectives has been to prevent oil spills. Should an accidental spill occur, the Industry is ready with Oil Spill Contingency Plans that have been in place for several years and the response equipment and experience to respond effectively.

The OOC believes that the requirements of current regulations, along with industry initiatives, do provide adequate safeguards to insure prompt and complete response to an offshore incident.

The first offshore oil well was drilled in state waters off the Louisiana coast in 1949. Since shortly thereafter, the companies that explore for, produce and develop oil and gas reserves in federal offshore waters, have been subject to regulations covering oil spill preparedness. The Outer Continental Shelf Lands Act of 1953 first made the Department of Interior (DOI) responsible for promulgating and enforcing safety and pollution prevention regulations for oil and gas operations in offshore Federal waters. More recently, the Oil Pollution Act of 1990 (OPA '90) further strengthen spill preparedness requirements and gave DOI jurisdiction over all the offshore waters for oil and gas operations.

A blowout in the Santa Barbara Channel in 1969 and two similar events in the Gulf of Mexico around that time raised public concerns regarding the possibility of pollution from OCS oil and gas operations. Following those events, stricter hydrocarbon spill prevention requirements were adopted. Additional requirements were also developed to insure oil and gas operators are prepared to contain and recover discharges of hydrocarbons when they do occur. Requirements for cleanup capability included the stationing of response equipment in strategic locations and the development of plans for dealing with spills of hydrocarbons. These requirements have been reviewed and further modified over the years. Offshore OCS operations today are regulated primarily by four federal agencies (MMS, USCG, EPA, and DOT-RSPA).

While it did not involve offshore oil and gas exploration or production, the 1989 Alaskan oil spill brought the issue of the Industry's oil spill preparedness and oil spill response times to the forefront. Following this event, the Oil and Gas Industry and Federal agencies initiated reviews of their respective plans and regulations for oil spill response. The Industry formed the Petroleum Industry Response Organization (PIRO) which later evolved into what is presently the Marine Spill Response Corporation (MSRC), and the U.S. Congress responded by passing the OPA '90. A thorough review by the MMS of the offshore oil spill contingency plans following that incident did not reveal any significant deficiencies. This is due largely to the fact that concentrated efforts had been placed on contingency planning and oil spill response during the 20 years since the Santa Barbara Channel spill.

Another proactive effort of Industry has been the development of RP 75 which stands for: Recommended Practices for the Development of a Safety and Environmental Management Program for OCS Operations and Facilities. This recommended practice is intended to assist in the development of a management program to promote safety and environmental protection during the performance of oil and gas and sulphur operations in the OCS. It addresses the identification and management of safety and environmental hazards in design, construction, startup, operation, inspection, and maintenance, of new, existing, or modified drilling and production facilities. The recommended practice was developed by an American Petroleum Institute (API) Task Force with participation of the MMS, U.S. Coast Guard, and the OOC.

In this testimony, we will discuss oil spill prevention measures undertaken by the Industry and the MMS and the associated training and inspections to ensure their effectiveness. We will also present the measures implemented by the Industry to respond to spills should they occur. Included in these discussions, are oil spill statistics of historical oil and gas operations and a discussion of RP 75.

SPILL PREVENTION

1. Experience in Spill Prevention.
   As a matter of fact, the safety and spill prevention record of the offshore oil and gas industry has been outstanding. The industry has been very successful in preventing oil spills from offshore oil and gas production operations. According to an MMS report which details spills over 200 barrels during the period 1964 through 1990, only 38 oil spills of 200 barrels or more occurred in the OCS. During the same period, approximately 8,400,000,000 barrels of crude oil and condensate were produced from over 2000 offshore structures. For the ten years from 1980 through 1990, only 7 spills of 200 barrels or more occurred in the OCS. There are currently more than 3800 offshore structures installed in the OCS. According to the National Academy of Sciences, offshore production operations account for only 2 percent of oil spilled into oceans. This attests to the diligence of training and prevention efforts on the part of the industry.

   Most recently, the offshore structures and safety systems of the Gulf of Mexico were put to the test by Hurricane Andrew. On August 25-26, 1992, Hurricane Andrew, with wind speeds up to 160 mph, passed over approximately 2000 offshore structures. Of these, 174 structures were either toppled or damaged beyond repair by the hurricane. While the damage to structures has been estimated in the hundreds of millions of dollars, only 7 oil spills of any consequence were reported, the largest resulting in a pipeline damaged by a dragged anchor. Not a single blowout from subsurface safety valve failure occurred, and all personnel were evacuated safely. This experience gives clear evidence of the effectiveness of these safety shutdown systems which are on all OCS platforms.

   It is important to point out the difference between a sudden, catastrophic hydrocarbon release from a tanker vessel and the releases that might be expected from offshore oil and gas extraction operations. Releases from extraction operations can be relatively small, limited volume spills or continuous releases from well blowouts. Well blowouts have been extremely rare, and since the release occurs over a period of a number of days, the impact is mitigated through spill recovery operations and natural dispersion.

Lastly, we want to express our concern over the growing dependence of this country on foreign oil. The United States has been importing over half of all the oil it consumes, which means that one-half of all U.S. oil arrives by tankers - a statistical category that contributes 34 percent of all the oil that is spilled into the sea. When we consider the relative risks of environmental damage due to accidental oil releases, extraction of domestic reserves is demonstrably safer than importing our oil supply.

2. Spill Prevention Technology and Equipment.

According to MMS Regulations (Title 30 CFR 250.120), all operators in the Gulf of Mexico are required to file a Production Safety System Application which addresses specific design and safety issues before the facility is approved to handle hydrocarbons. The general provisions of these regulations specify that "Production Safety equipment shall be designed, installed, used, maintained and tested in a manner to assure the safety and protection of the human, marine and coastal environments"; therefore, these regulations have been designed to protect personnel safety and the environment. To ensure that these requirements are met, devices and sensors comprising the safety system are designed to be automatically operating and "fail-safe" in nature (i.e., if a sensor detects a circumstance outside predetermined limits, valves actuate automatically, shutting off or otherwise redirecting hydrocarbon flow). Each Production Safety System Application required under Subpart H of the MMS regulations must consider general process design criteria (flow rate, temperature, operating pressure, etc.). It must specifically address requirements for the design, installation, operation and testing of all safety devices required by regulation and then be approved by the MMS.

The Application requirements begin with the safety valves installed "down-hole" (SSSV) and at the surface (SSV) of each well. Requirements address each safety device (e.g., shutdown valves, flow safety valves, and pressure safety valves) installed on each piece of process equipment up to and including those devices installed on pipelines used to transport hydrocarbons on the OCS (Pipeline regulations are discussed in Subpart J and serve a similar functions as the Subpart H regulations). Many operators have installed volume balance systems or other leak detection systems on major pipelines to detect failures. Pipeline overflights are also made on a frequent basis to detect oil spills.

Other special features required in the Production Safety System Application include:

1) An Emergency Shutdown (ESD) System with ESD stations located at various points throughout the facility whereby an operator can manually shut-in all safety devices (and operations) if he determines a need to do so exists.

2) Temperature Safety High (TSH) controls that are located over and around process equipment. The equipment will automatically set off an ESD on the platform in the event of a fire. This equipment is very similar to the automatic operation of sprinkler systems in buildings.

3) Fire and gas detection sensors and fire fighting equipment for each platform in the event a fire or a release of gas should occur.

4) Safety and pollution prevention equipment that meets specific quality assurance requirements and is certified

under American National Standards Institute/American Society of Mechanical Engineers (ANSI/ASME) industry standards.

Under Subpart C of the MMS regulations, Pollution Prevention, all hydrocarbon-handling equipment for testing and production must be designed, installed, and operated to prevent pollution. Curbs, gutters, drip pans, and drains with sump systems must be installed to collect all contaminants that are not authorized for discharge. This means that spills caused by equipment failures on the platform or by operator error can be contained and returned to the production system.

Other subparts of the MMS regulations include safety equipment for drilling, completion, and workover operations including blowout preventors, drilling mud control systems, well casing and cementing design, and training procedures. A permit to drill a well must be secured from the MMS under an approved Plan of Exploration (POE) or Development Operations Coordination Document (DOCD). This approval process includes site-specific spill control, safety, and emergency response measures which will be taken to ensure that all foreseeable precautions are taken before and during drilling operations.

3. Testing Procedures and Inspections.

Production safety-system devices must be successfully inspected and tested by the operator at specific intervals. These intervals vary from monthly to annually depending on the device being tested. Subpart H of the MMS regulations specifies component test tolerances, test frequency, required results, and recordkeeping; all of which are witnessed and/or the records reviewed by MMS inspectors at various announced and unannounced inspections held during the year. The Offshore Inspection and Enforcement Division of MMS has developed a very comprehensive inspection program for offshore operators to ensure that testing is being performed properly.

Subpart C of the MMS regulations requires that drilling and production facilities be inspected daily to determine if pollution is occurring. Records of these inspections must be maintained by the operator. Operators have developed pollution prevention procedures such as daily inspections of drip pan drains, sump pumps, and liquid level controls. Any oil spill in offshore waters must be verbally reported to the MMS and the National Response Center in Washington D.C. to alert Federal agencies of a potential threat of a spill.

4. Training.

Training is an integral part of an operations safety program. Operators spend a substantial amount of time training their staffs to assure personnel safety and protection of the environment. Subpart O of the MMS regulations provides that operators and contractor employees engaged in drilling, well-completion, well-workover, or production operations be trained in the proper operation of equipment and techniques to avoid hazards to people and property and to prevent pollution to the environment. The regulation goes on to describe specific hands-on training by job function. Each training program must be approved and certified by the MMS. Employees must pass a written test upon completion of the training, and records are maintained to ensure certification for specific job classifications. The MMS also tests workers on the job site to evaluate the effectiveness of the training program.

CONTINGENCY PLANNING

1. Spill Plans

Oil spill contingency planning has been required in the OCS since the early 1970's as a result of drilling and production accidents, such as the Santa Barbara Channel blowout in 1969. The planning process continued to evolve in the 1980's and was significantly reviewed and updated in 1988 to include unannounced spill drills, dispersant use plans, trajectory analyses, response equipment inspections, specific hands-on training, and other modifications. The need to consider a continuous release scenario (e.g., a well blowout) in the planning process which, for E&P operations, is a worst case discharge was addressed in the regulations in the 1970's. The current regulatory text requires that an operator submit an Oil Spill Contingency Plan (OSCP) for approval by the MMS Regional Supervisor in conjunction with a POE or DOCD and that the OSCP be reviewed and updated annually. The review process ensures that the proposed equipment and strategies are appropriate, personnel are adequately trained, and the operator is fully prepared to respond to an oil spill from its facilities. The review also ensures that response times are reasonable, accurate, and sufficient to protect sensitive resources. The OSCP regulations contained in 30 CFR 250.42 provide a consistent framework for offshore operators to prepare and implement spill contingency plans that are demonstrably protective of the environment.

All OSCP's for offshore operators in either State or Federal waters must contain at least the following information before they can receive MMS approval:

- Designation of a trained Oil Spill Response Operating Team and Spill Response Coordinator with authority to direct response operations;
- A planned location for an operations center and a reliable communications system;
- Identification of response equipment and response times together with materials, supply vessels, and procedures to respond to a continuous release (e.g., well blowout) and a spill of limited maximum volume;
- Dispersant-use Plan;
- Oil spill trajectory analyses identifying environmentally sensitive areas;
- Provisions for inspecting and maintaining equipment;
- Procedures for early detection, timely notification, and predicting spill movement;
- Provisions for disposal of recovered oil.

The MMS's contingency planning process underwent an extensive review following the Alaskan oil spill in 1989, and no further revisions were recommended. OPA '90 and the corresponding Executive Order (E.O. 12777) which established the Federal agency jurisdictions required that the MMS again review its regulations and specifically include pipelines and state water locations into the planning process. MMS responded by issuing a Notice-to-Lessees (NTL 92-04) for Right-of-Way (ROW) Pipelines which specified contingency planning requirements for offshore pipelines and included development of spill scenario narratives for anticipated worst case discharges. MMS issued an interim final rule for Spill-Response Plans for Offshore Facilities Including State Submerged Lands and Pipelines in February 1993.

OPA 90 and this interim final rule require operators which handle, store or transport oil to have OSCP's submitted to the MMS by February 19, 1993. Clearly, MMS has taken a proactive position in developing and implementing a regulatory framework for oil spill preparedness, and at the same time, working with the Oil and Gas Industry to understand the most effective and reasonable spill planning procedures. The Industry has the capability to respond to oil spills in offshore waters with both mechanical recovery and chemical dispersant through its participation in spill cooperatives and/or the MSRC.

2. Response Resources

Two of the key factors in mounting a successful spill response are preparedness and response time. Each of these factors is highly dependent on the availability and reliability of spill response resources. Response resources include personnel, equipment, logistical support, and planning tools that must be ready for deployment around the clock 365 days per year. The Industry has committed significant funds to develop these response resources and maintain them in a continual state of readiness.

Each operator is required by MMS regulation to designate (by name and position) a trained spill response coordinator and spill response operating team that understand spill response procedures and the deployment and operation of response equipment. Personnel requirements are augmented by spill response contractors geographically positioned to respond in the necessary response times. As required under OPA '90, contracts or other approved means must be developed with these cooperatives and contractors to ensure their availability. Response contractors have been trained on the various spill response equipment used by the Industry and are classified according to their capabilities under U.S. Coast Guard requirements.

Spill response equipment used by the Industry is maintained by spill cooperatives, response contractors, individual operators, and the MSRC. The primary provider of response equipment in the Gulf of Mexico is Clean Gulf Associates (CGA), a not-for-profit association of over 140 oil and gas companies that stockpiles equipment at shorebases and sea bases along the Gulf Coast. Major strengths of CGA are the four "Identified" skimming boats pre-positioned in offshore production fields in the Gulf, substantially reducing response times, and the High-Volume Open Sea Skimmer (HOSS) barge. CGA has an Operations Subcommittee and Technical Subcommittee which actively look for improvement areas in its effectiveness including the purchase of new equipment as it becomes needed. For example, CGA is currently designing and fabricating a state-of-the-art mobile response unit for oiled wildlife response. The witness representing CGA will give additional detail on the cooperative's capabilities.

Response contractors maintain a full range of containment and skimming equipment along the Gulf Coast. This equipment is complimentary of the cooperatives' equipment and adds substantially to the Industry's shallow water and shoreline cleanup capabilities. Individual operators also maintain response equipment, primarily containment boom, at appropriate locations.

Finally, the MSRC is available to many operators who have contracted its services. The MSRC is divided into five regions across the country. In the Gulf of Mexico, the MSRC has four pre-position sites in Galveston, Texas; Lake Charles and Fort Jackson, Louisiana; and Mobile, Alabama with self-contained Offshore Skimming and Recovery Vessels (OSRV) and other response equipment. The MSRC is a full-service responder providing both personnel and equipment for spill response and will be fully functional by August, 1993. The start-up cost for the MSRC is over 1 billion dollars.

Logistical support is an integral part of a major spill response without which the response effort would be significantly undermined. Communications equipment (i.e., radios, telephones, satellite hookups, etc.) is maintained in a constant state of readiness by several individual operators and by the cooperatives. A specific radio frequency has been established for oil spill response. With the numerous offshore production locations in the Gulf of Mexico, there exists a strong infrastructure of communications networks that is easily adapted for spill response. Likewise, transportation equipment (i.e., helicopters, boats, barges, and trucks) required for oil spill response is an integral component of the oil and gas infrastructure of the Gulf of Mexico. The Industry has developed a Mutual Aid Directory of boats, other equipment, and even personnel, from various operators that could be made available for spill response. Finally, logistical support must include facilities to house and feed potentially hundreds of response personnel. Production locations and terminals provide convenient operations bases (i.e., field command post).

Planning tools for spill response can be considered the "software" that drives the "hardware". Most operators have developed Incident Command Systems (ICS) for major emergency response including oil spills. The ICS establishes roles and responsibilities and a reporting structure for a response team designed to quickly gain control of an incident. It provides alignment between an operator's response team and the Federal and state response teams. Spill response consultants or "spill experts" are called upon to help manage major spills. Other planning tools include maps and charts, surveillance and spill tracking systems, trajectory models, and weather forecasting systems. The Industry has developed a spill trajectory model that has an extensive environmental database to identify sensitive resources. Louisiana State University has developed an Oil Spill Program in conjunction with major operators, the MMS, and the U.S. Geological Survey. The program provides spill response specialists and planning systems such as satellite surveillance, meteorological systems, a Geographical Information System, and Shoreline Cleanup Assessment Teams. These planning tools provide response personnel with the information essential to directing the most effective response.

3. Training and Drills.

Training for an operator's spill response operating team as required by both MMS and OSHA regulations is necessary to assure the effectiveness of the response organization in minimizing the adverse environmental impact and liability of oil spills. OPA '90 requires that contingency plans identify and ensure sufficient personnel and equipment necessary to remove a worst case discharge, including periodic training and drill activities. The training programs being used consist of both **job specific** and

organizational training. Each team member must understand his/her role and responsibilities and have the operational knowledge and experience to respond in that capacity. The Organization as a whole must function efficiently and effectively with individual team members understanding how they relate to one another. The response organization must be well rehearsed and stay in a constant state of readiness. The MMS requirements for oil spill response training are covered in 30 CFR 250.43 (Subpart C) and provide for training, annual drills, and unannounced drills. Additionally, operators are required to make monthly inspections of pollution response equipment and keep records of these inspections.

Training requirements include annual hands-on training classes in deployment and operation of the pollution-control equipment by team position. Supervisory personnel are trained in directing the deployment and the use of all response equipment, knowledge of location, and intended use of available response equipment, spill reporting procedures, and deployment strategies.

Drill requirements include annual drills for familiarization with pollution-control equipment and operational procedures for all team members or contractors. Drills must simulate conditions in the area of operations and must include deployment and operation of equipment. MMS must be notified of scheduled drills.

Unannounced drills to test oil spill response preparedness are conducted by MMS five or six times each year for randomly selected OCS operators. Since the middle of 1989, MMS has conducted 15 unannounced drills in the Gulf of Mexico.

The OSHA HAZWOPER standard applies to oil and gas operations when an event occurs involving an uncontrolled release of a hazardous substance requiring emergency assistance by personnel outside of the affected location (e.g., the Spill Response Operating Team and contractors). HAZWOPER establishes specific response requirements for workers who stabilize an uncontrolled release (an uncontrolled slick in open water) and for post-emergency response (oil on the shoreline). These requirements include development of a written operational emergency response plan utilizing an Incident Command System (ICS) and specific training for employees who fall under designated job categories identified in the standard. This includes specific health and safety training (e.g., respiratory protection and decontamination procedures) and annual refresher training. The intent of the standard is to prepare emergency response personnel for the potential hazards that exist in emergency response activities.

4. Actual Practice.

E&P operations have a distinct advantage over shipping operations in the area of oil spill response. Two of the key factors in determining the success or failure of spill response are preparedness and response time. Offshore spill response is generally successful when response crews and equipment are adequately prepared and immediately mobilized to respond to spills. While tank vessels can have a worst case discharge at any location where hydrocarbons are transported, oil and gas operations are generally stationary and response equipment and personnel can be pre-positioned to optimize these two factors.

Historically, the vast majority of oil spills from oil and gas operations in the OCS have been minor spills (less than 200 bbl) and generally require no mechanical recovery because of their distance offshore. Of the 38 oil spills of 200 barrels or more that occurred from oil and gas operations in the OCS from 1964 through 1990, only six caused any recorded environmental impacts to shorelines. With the exception of the 1969 Santa Barbara Channel oil spill which caused substantial shoreline impacts, these spills caused only minor or moderate, temporary impacts. Four of the six spills were caused by well blowouts and two were caused by pipeline releases.

More recently, in August 1992, oil spills caused by Hurricane Andrew required extensive resources to be deployed. CGA resources deployed included the HOSS Barge, 9 Fast Response Units, 3 shallow water skimmers, and several thousand feet of offshore containment boom. The equipment performed as expected. In September 1992, Industry and CGA resources were again deployed on a well blowout in Timbalier Bay in the Gulf of Mexico. Since the well location was so close to shore, impacts to the shoreline were not avoided; however, significant amounts of oil were skimmed from the waters surface greatly reducing the magnitude of the impacts.

5. Improvement Areas.

The OPA '90, precipitated by the Alaskan oil spill in 1989, has created a flurry of regulatory activity by at least four Federal agencies and by coastal state agencies. The Act established extremely tight deadlines for this regulatory development. Consequently, none of the regulations required by the Act have yet been finalized. The Act is very prescriptive and gives regulatory agencies little room to develop realistic rules based on industry's best practices and expert testimony. The Act set up provisions for Certificates of Financial Responsibility for offshore operators in the amount of 150 million dollars. Many operators will have great difficulty in meeting this requirement. Because the OPA '90 jurisdiction is administered by several agencies, interagency coordination is extremely important.

Additionally, Federal and state agencies have resisted giving timely approval to chemical dispersant application to oil spills. Dispersants can be very effective in combating a major oil spill; and, in some circumstances, the only viable means of mitigating environmental damage. Indeed, regulatory bodies in Europe have recognized this and depend on dispersants as their means of protecting the environment from the impact of oil spills. Any relief in the approval process for chemical dispersant use will greatly enhance the effectiveness of oil spill response in U.S. offshore waters.

SAFETY AND ENVIRONMENTAL MANAGEMENT PROGRAM

The development of RP 75 is a significant step which should enhance safety and environmental protection during the performance of offshore operations. The objective of this recommended practice is to form the basis for a Safety and Environmental Management Program (SEMP) developed by an operator.

An owner, operator, or contractor should require that the program elements covered in the 12 sections of the recommended practice be properly documented and available at field and/or office locations, as appropriate, for each program element. The program elements described in the publication are:

1. Safety and Environmental Information
2. Hazards Analysis
3. Management of Change
4. Operating Procedures
5. Safe Work Practices
6. Training
7. Assurance of Quality and Mechanical Integrity of Critical Equipment
8. Pre-startup Review
9. Emergency Response and Control
10. Investigation of Incidents
11. Audit of Safety and Environmental Management Program Elements

All of the key elements listed above address the importance of preventing oil spills and the procedures necessary if one occurs. For example, the purpose of the Hazards Analysis element is to identify, evaluate, and where unacceptable, reduce the likelihood and/or minimize the consequences of uncontrolled releases and other safety or environmental incidents. Another example is the Emergency Response and Control element. It's purpose is to require emergency response and control plans which are ready for immediate implementation. The readiness of these plans should be validated by drills carried out to a schedule defined by the management program.

The recommended practices also includes specific management principles which should form the foundation for the SEMP. Each of the elements described above are discussed in detail with examples of specific requirements needed to comply. Many operators have implemented all or most of these program elements over the years of operating in the OCS. In addition, many of the practices referred to in the publication have been improved with time as new technology, procedures, standards, etc., have been developed.

OOC and API have actively promoted this recommended practice through various presentations to industry. We have also scheduled two major training workshops to be held on May 18-19, 1993 (New Orleans) and June 8-9, 1993 (Houston). These workshops will be valuable for operators that are starting to develop their SEMP documents.

CONCLUSION

In summary, the Oil and Gas Industry's goal is, first, to prevent oil spills from occurring. We believe our record over the last two decades supports our high regard for this objective. Typically, oil spills from E&P operations have been minor and have caused little or no environmental impacts. If large spills do occur, the Industry is prepared to respond in an effective manner to recover the oil to the extent that spill recovery technology allows. We have identified improvement areas, including the timely approval of chemical dispersant application and improved coordination amongst agencies which will significantly enhance our capabilities. The Industry has partnered with the MMS in developing and implementing training programs to prevent spills but respond effectively when necessary. It is this continual commitment and vigilance that will ultimately prevail in achieving our goal of protecting the environment while extracting the minerals beneath its surface.

As Operators implement their SEMP plans, utilizing RP 75, increased awareness as well as comprehensive management plans will continue to enhance the safety and environmental protection of OCS operations. The elements described in RP 75 demonstrate industry's commitment to work with the regulatory community to further enhance all aspects of OCS operations.

Again, we appreciate the opportunity to present this testimony. I will try to answer any questions you might have or supply you with any supplemental information if needed.

INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

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TESTIMONY OF
MARK K. SEIFERT
VICE PRESIDENT FOR REGULATORY AFFAIRS
INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

BEFORE THE
COAST GUARD AND NAVIGATION SUBCOMMITTEE
OF THE
MERCHANT MARINE AND FISHERIES COMMITTEE
UNITED STATES HOUSE OF REPRESENTATIVES

FIELD HEARING ON POLLUTION PREVENTION AND RESPONSE
APRIL 26, 1993
NEW ORLEANS, LOUISIANA

I. Introduction

Since 1929, the Independent Petroleum Association of America (IPAA) has represented the domestic independent petroleum industry. IPAA is the only nation-wide trade association representing the interests of independent petroleum explorers and producers in Washington, D.C. IPAA's membership of about 5,500, combined with the membership of 45 other national, state, and regional professional and exploration and production associations, are working together to assure appropriate conditions for continued development of our domestic petroleum resources. In the lower 48 states, independents drill about 85% of all wells and produce about 40% of our crude oil and 60% of domestic natural gas. About 42% of our nation's natural gas is produced by small, family-owned companies. More than two-thirds of IPAA's member-companies have fewer than 20 employees.

Until recently, IPAA has never had an internal policy-making body for offshore issues. But, with the major oil companies investing more of their time and money in foreign exploration and production operations, many more independents are moving offshore than ever before. About 35% of the Outer Continental Shelf (OCS) leases are now in the hands of independents and many of the 500-odd lease assignments currently pending are from major oil companies to independents. Last year, IPAA members and staff participated in an effort to revise offshore lease bonding and abandonment policy. IPAA suggested changes that are currently being considered by the Minerals Management Service (MMS) of the U.S. Department of the Interior.

Within the past month, IPAA's Chairman of the Board decided that this ad hoc approach to these important issues was insufficient and resolved to create a new Offshore

Task Force to study offshore matters of importance to our members and this Subcommittee. The purpose of this Task Force is to help IPAA focus the attention of IPAA's members, the Administration, and the Congress on the need to promote new offshore drilling and the proper method of doing so.

Independents who operate offshore are taking reasonable steps to protect the OCS environment, but our members cannot bear the unreasonable costs that over-regulation of OCS activities is placing on us today. Our Task Force is going to examine the pollution control issues being considered by this Subcommittee and try to develop an approach that will protect the environment and yet still encourage much needed additional exploration of the OCS. The first meeting of this Task Force is here in New Orleans on April 29.

Because we are just beginning our formal study of specific issues involving offshore production, my comments here today will be quite general. Nevertheless, IPAA is committed to providing this Subcommittee with specific answers to any policy issues that may arise.

II. The State of the Industry

One of the most challenging aspects of our work is to convince people of the need for continued petroleum exploration and production in this country. There are over 60 billion barrels of crude oil and 74 billion barrels-equivalent of natural gas left to be discovered here at home, and much of it lies offshore. The OCS contains about 18% of our natural gas reserves and about 11% of our crude oil reserves. So, we don't have to go overseas to find substantial quantities of petroleum. The critical question is whether or not our national and state governments will promote conditions which will encourage or discourage continued domestic exploration and production.

Government policies during the last decade have virtually screamed "NO!" in answer to this question. Over 60% of the independent producers in business in 1981 are out of business today. Employment in the domestic oil and gas business has fallen by about half, with over 450,000 jobs lost. That's more than have been lost in any other single industry -- more than automobiles, textiles, steel, or anything else. Domestic oil production in the lower 48 has fallen to a 40 year low. The number of active drilling rigs is hovering around 600, the lowest level in over a century. We have lost over 1.6 million barrels per day in domestic crude oil production in just the last seven years. That is the equivalent of the production of Kuwait before the recent war. Natural gas wellhead prices reached a 15-year low in February 1992 and natural gas is supposedly the fuel of the future.

III. IPAA's Concerns Regarding Offshore Pollution Control

The American economy runs on oil. Natural gas is an important and growing energy source, supplying about a quarter of our nation's energy needs. But, we burn much more oil than natural gas and nearly half of that oil is imported. Independents have invested very heavily in natural gas. About 70% of our Btu-equivalent production is in natural gas, not crude oil. But, the country needs both and our government must find ways to encourage a more active exploration and production industry in the Outer Continental Shelf if we are to avoid becoming even more dependent on foreign sources of supply. If current trends continue unabated, by the year 2000, over 5,000 supertankers per year will be docking at American ports to bring us the oil we must have to maintain the standard of living that is the envy of the world. Of course, large tankers present a far more serious risk of environmental damage than offshore drilling ever has. So, even environmentalists should favor drilling over increased tanker traffic.

Some insist that there are "alternatives" to oil that can reduce our usage and thus reduce our imports. When a dispassionate observer examines these alternatives, however, it becomes clear that the only workable alternative to oil is natural gas. And, since both these commodities can be imported or produced here at home, we are presented with a choice: Do we want to become more or less dependent on imported oil and gas? If we want to become less dependent on foreign energy, our government must take necessary steps to encourage exploration of the OCS. This means opening up new areas for exploration in the OCS and removing excessive pollution control statutes and regulations, not adding more impediments to an already over-regulated business.

America consumes about 17.5 million barrels of oil per day. To replace the energy represented by just one percent of that consumption, 175,000 barrels per day, we would need: a corn field almost the size of Iowa dedicated to ethanol production (of course, it might take almost that much energy to plow the land, raise the corn, and produce the ethanol!); an array of solar cells covering 500 square miles; a string of giant windmills, each with hundred-foot blades, stretching from Boston, Massachusetts, to Charleston, South Carolina; or eight nuclear power plants (each the size of the Shoreham nuclear generating station which was not allowed to open) which cost at least $4 billion a piece. One percent of our daily crude oil demand can also be replaced with just one billion cubic feet (Bcf) of natural gas in an American market which consumes about 55 Bcf per day. Alternatives to oil are available but, aside from natural gas, they are very unattractive and are unlikely to contribute much to our energy mix during the next 25 years under any reasonable scenario. As stated above, the OCS contains a lot of our natural gas and crude oil reserves. As a nation, we have to find a way to give independents a reasonable opportunity to develop these reserves, without undue burdens caused by excessive environmental controls.

Until the last two decades, liability laws for the maritime industry were clear and predictable. The Limitation of Liability Act of 1851 generally limited a vessel owner's liability to the value of the vessel and cargo. The Clean Water Act provided for strict liability for oil pollution cleanup, but, absent willful misconduct, a maximum liability limit of $14 million for a vessel owner or operator was provided. Regulations issued pursuant to the Outer Continental Shelf Lands Act required producers to show financial responsibility up to $35 million. Unlimited liability pollution laws adopted by some of the states were preempted by federal statutes.

The Oil Pollution Act of 1990 (OPA 90) eliminated the ground upon which insurance had been based. By repealing the Limitation of Liability Act of 1851 for pollution actions, OPA 90 eliminated all financial protection of vessel and facility owners. OPA 90 compounded this new risk by eliminating federal preemption and allowing states to create unlimited strict liability exposure to vessel and facility owners and operators. OPA 90 also greatly increased the categories of damages for oil pollution.

OPA 90 contains three particularly destructive provisions: 1) direct action by any claimant against the financially responsible party; 2) excessive levels of financial responsibility for vessels and facilities to cover response costs associated with "worst case" spills; and 3) elimination of liability limitations for vessel and facility owners and insurers. These changes make the insurers totally unwilling to insure fully against such unpredictable risks.

IV. Fixing OPA 90

To meet the stated goals of OPA 90 and to address the concerns of the insurer, IPAA recommends that OPA 90 be amended in the following respects: (1) eliminate direct action, but ensure that the proceeds of the insurance or other financial responsibility are made available to the Federal government for its own expended costs as well as the Federal Fund, and (2) limit the financial responsibility level for tank vessels and facilities to no more than the maximum pollution insurance amounts that are commercially available at the time. If these changes are made, the financial responsibility requirements will more realistically reflect potential exposure of vessels and facilities in U.S. waters.

The increase in financial responsibility from $35 million to $150 million dollars as stated in OPA 90 precludes most independents from operating in the OCS. There are several methods of proving financial responsibility currently being discussed, some of which would require this amount "per facility" and none of which will permit many independents to become active in the OCS. This level of financial commitment must be reduced and, if it is increased from $35 million at all, the change must be phased-in over at least five years. We need to find another method acceptable to independents so they can prove that they are financially capable of operating these facilities safely and responsibly. One such method might be to reduce the requirement substantially and permit the pooling of resources of several different companies, since it is very unlikely that more than one company at a time would have to use the pooled resources. It is also appropriate for the nature of facilities to be taken into account. There is no sense in requiring a producer of natural gas and condensate, for example, to meet the same financial responsibility standards and maintain the same insurance against liability as an operator of a 10,000 barrel per day production platform. The MMS is currently preparing a proposed rule on the subject of financial responsibility and IPAA will comment on this proposal after we have had the chance to study carefully its impacts.

Finally, inequities in the legislation with respect to self-insurers need to be corrected, since few, if any companies are able to meet the financial responsibility levels based on the working capital and net worth definitions set forth in the proposed regulations. Not even state financial responsibility laws have required that U.S. assets be compared against worldwide liabilities. Further, an interpretation that a company's net worth must be at least ten times the total applicable amount of financial responsibility is excessive. Many independent producers who would otherwise be able to operate successfully offshore will be prevented from doing so and the nation's energy security will be undermined.

V. OCS Lease Bonding

As stated above, OCS lease assignments by majors to smaller companies have been increasing. This Subcommittee should be concerned about the problems associated with finalizing these assignments and with troubling proposals to change lease bonding policy generally. The 500 lease assignments currently pending in the Gulf of Mexico are in limbo because of questions involving the bonding requirements. MMS is attempting to develop a regulatory response which will permit the assignments to proceed. At the same time, MMS wants to prevent losses by the federal government in connection with the financial inability of assignees to perform required abandonment and site clearance measures. But, it is essential to the country's energy security and to the well being of our offshore exploration and production industry that the conditions established by MMS for approval of OCS lease assignments must contemplate the needs of independent producers.

The federal government claims it has experienced losses of about $25 million in abandonment and site clearance costs resulting from business failures by assignees. In January 1990, MMS proposed (but never finalized) new rules increasing the bonding requirement for OCS leases from $50,000 per lease or $300,000 for an area-wide bond (covering all leases in an OCS region) to $200,000 per lease or $1,000,000 for an area-wide bond covering exploratory drilling. Additional bond coverage of $500,000 and $3,000,000 respectively would be required at the lease development and production stage.

There are certain lease bonding proposals under consideration by MMS which will inhibit the transfer of lease title to the independents. First, is the increased bonding requirements proposed by MMS. While it is true that the standard lease and area-wide bonding requirements have been fixed at $50,000 and $300,000 respectively for some time, the proposed increases are excessive, burdensome, unreasonable, and will significantly and adversely affect small entities and inhibit exploration and production on the OCS. Even though IPAA agrees that some increase in the bonds may be appropriate, this proposal would increase the bonding requirements by ten times. That is simply too much and the impact on small entities would be severe.

At a minimum, IPAA believes that MMS must provide an alternative which would involve a more limited increase in the bonding requirements than it has proposed. Increasing the bonds to $100,000 for individual leases and to $1,000,000 for area-wide coverage would double and more than triple, respectively, the existing bonding requirements and should provide MMS with adequate assurances of financial reliability. In any event, MMS should assure that any increases that are ultimately adopted should be phased-in over a period of not less than three years to minimize the impact on small entities. Otherwise, the increased bonding requirements could force small entities to sell their interests in existing leases and make them less likely to attempt to acquire additional OCS lease rights -- the opposite of what MMS should be doing, i.e. encouraging independents to explore the OCS.

Second, IPAA does not agree with proposals which would require a lease or area-wide bond from every lessee holding a record title interest. This idea is objectionable for a number of reasons: 1) Non-operating co-lessees have always been considered exempt by MMS. 2) Whether or not the operator is compensated by other record title holders is a matter which is appropriately addressed in the operating agreement. It is not an appropriate matter for MMS to mandate. 3) Non-operating lessees have made investments based on their exempt status. MMS should not be encouraged to automatically and retroactively shift these exempt co-lessees into the non-exempt category. 4) MMS should at least adopt a moderate approach which would "grandfather" these currently exempt parties so that they will continue to be considered exempt unless and until the operator makes the affirmative and justified determination that they should no longer be considered exempt. 5) Lastly, even if it were appropriate to reclassify these previously exempt, non-operating interest owners, the change should be made prospectively only, i.e. for interests acquired after the effective date of the new rules. Even then, it is still a bad idea and will make it harder for small companies to participate in OCS exploration and production.

MMS must develop and Congress must assure the creation of a thoughtful and appropriate response to this vexing problem. IPAA looks forward to assisting the MMS and Congress in any way that we can and we urge close Congressional oversight of this difficult situation.

VI. Conclusion

There are many other important issues that are within the jurisdiction of this Subcommittee which have great importance to oil and natural gas producers with offshore interests. Rather than go into the details of the many OCS issues which IPAA's new Offshore Task Force is currently examining, I will simply close by saying that independent producers have established an outstanding safety and environmental record in the OCS and we are eager to work with the U.S. Coast Guard and the Subcommittee's staff to develop specific legislative solutions to the problems outlined above and those which we may encounter in the future. I will be pleased to answer any questions.

Testimony
Submitted by the

National Ocean Industries Association

Before the
Subcommittee on Coast Guard and Navigation
U.S. House of Representatives

Field Hearing on Pollution Prevention and Response

April 26, 1993
New Orleans, Louisiana

The National Ocean Industries Association welcomes this opportunity to present to the Subcommittee our views and recommendations relative to the environmental and personnel safety of this nation's Outer Continental Shelf (OCS) petroleum and natural gas operations.

As you are aware Mr. Chairman, the National Ocean Industries Association (NOIA) is the only national trade group that represents all facets of the domestic offshore oil and natural gas industry. In your opening statement you noted the importance of this industry to our country and how it can assist in meeting the desired objectives of a healthy and growing economy, a clean and safe environment and increased employment opportunities for the American workforce.

The OCS is playing an increasingly important role in our nation's energy mix. Today roughly 15 percent of the nation's petroleum production is from the OCS and almost a third of the nation's natural gas is produced offshore. Since 1954, more than nine billion barrels of oil and 97 trillion cubic feet of natural gas have been produced on the OCS.

In addition to the value of the resources produced, the revenues from OCS leasing have contributed over $94 billion to the federal treasury. The OCS program alone generated more than $3.9 billion in production royalties and lease-related revenues for the government in FY 1991.

OCS revenues also have provided more than 80 percent of the funds spent by the Land and Water Conservation Fund (LWCF), the nation's primary source of funding for acquiring lands for national parks and other federal outdoor recreational areas. Nearly $13 billion has been credited to the fund from offshore receipts, with $3.1 billion being distributed to States and $4.4 billion to Federal agencies.

The safety and environmental record of the offshore industry has been equally impressive if not excellent. RADM A.E. Henn, Chief of the U.S. Coast Guard's Office of Marine Safety, Security and Environmental Protection comments that the OCS industry's "record in conducting clean, safe operations is second to none."[1] Henn writes that during the 20 years between 1971 and 1990, the industry drilled 20,550 wells on the OCS, producing 6.8 billion barrels of oil, with an "infinitesimally small oil spill of only 908 barrels or 0.0000134 percent."

According to a study by the National Research Council reviewing OCS operations from 1972 to 1986, "no blowouts occurred that resulted in significant amounts of oil reaching shore, impacting sensitive environments, or causing loss of resources."[2] The study noted that "pollution prevention has been an increasingly important priority" for the offshore industry. These facts reflect the OCS industry's high standards for the safety of its offshore operations.

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[1] Proceedings of the Marine Safety Council. United States Coast Guard, U.S. Department of Transportation. November-December 1992, Vol. 49, No. 6.

Although the industry has demonstrated it can develop offshore oil and gas resources without significant spillage, this record is often confused with and overshadowed by spills resulting from tanker accidents, municipal discharges and even natural seeps. Compared to oil tankers and other vessels, offshore development activities contribute very little of the oil found in the world's waters. (See attached graph) In fact, a 1985 study by the National Academy of Sciences determined that OCS activities account for less than two percent of oil found in the ocean. By contrast tankers and vessel transportation activities were found to contribute up to 45% and natural seeps close to 8% of the oil in the world's oceans.

The OCS industry is continuously working to improve its safety record through improvements in operating procedures, development and application of new and improved environmental technologies and through ongoing training and educational programs.

One effort presently underway is the industry's safety and environmental management training workshops. The workshops cover the implementation of the recently released "Recommended Practices for Development of a Safety and Environmental Management Program (SEMP) for OCS Operations and Facilities."[3] The document is intended to assist in the development of a management program designed to promote safety and environmental protection during OCS operations. The recommended practices address the identification and management of safety and environmental hazards associated with the design, construction, startup, operation, inspection, maintenance, monitoring and modification of OCS facilities.

Offshore service companies have invested considerable time and effort in the development of new technologies that are capable of satisfying a number of important environmental objectives. One example is a series of non-petroleum based, biodegradable, low toxicity drilling fluid systems. Derived from vegetable- or synthetic-based fluids, these new drilling fluid systems translate talk about sustainable economic development, pollution prevention, toxic-use-reduction and recycling into a concrete opportunity for the domestic natural gas and petroleum industry.

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[2] National Academy of Sciences, National Research Council, Marine Board, "Alternatives for Inspecting Outer Continental Shelf Operations." March 1990.

[3] API Recommended Practice 75 (RP75). May 15, 1993.

To date the new drilling fluid technology has been employed successfully in overseas projects, satisfying operational requirements and drilling performance, enhancing environmental responsibility and affording a cleaner, safer workplace. Studies of these systems substantiate a combination of extremely low toxicity to humans and marine organisms, the absence of aromatic hydrocarbons, and aerobic and anaerobic biodegradability.

Yet, even with such strong scientific support, existing domestic regulations hamper the realization of this technological benefit by our own companies and environment. Without sufficient regulatory flexibility, the commercial use of these new, more environmentally sensitive products could be suppressed in this country.

Offshore operators are also attempting to respond to legislative mandates addressing environmental protection. One that poses great concern to the NOIA membership is the implementation of provisions of the Oil Pollution Act of 1990 (OPA) calling for OCS operators to "establish and maintain evidence of financial responsibility of $150 million." This requirement may well leave many of our smaller independent operators unable meet the new obligations and unable to operate in the OCS.

In order to maintain an active and competitive market in the OCS this issue will require attention. If the financial responsibility issue is not addressed and resolved, the inevitable result will be a decline in U.S. offshore oil and gas exploration and production, accompanied by a concurrent increase in tankered imports.

The $150 million requirement does not reflect the "true environmental risk" posed by offshore oil and gas operations. The OCS industry's environmental record certainly supports a reduction in the certification requirement. In addition, the administration should examine and allow additional "mechanisms" for evidencing financial responsibility. These "mechanisms" could be developed through consultation and cooperation between the ocean industries and the administration. A menu of options for evidencing some reasonable level of financial responsibility may assist companies in their ability to satisfy OPA and continue to operate in the OCS.

We look to Congress to urge the responsible federal agencies to expeditiously examine and adjust the limits of liability to levels that appropriately and reasonably account for the relative risks posed by the various classes and categories of OCS facilities subject to the Act.

The NOIA membership welcomes this opportunity to provide testimony before the Subcommittee. The OCS industry is proud of its environmental record; a record which demonstrates to Congress, the Administration and the American people that our nation's vital domestic energy resources can be produced safely.

TESTIMONY SUBMITTED TO

COMMITTEE ON MERCHANT MARINE AND FISHERIES
SUBCOMMITTEE ON UNITED STATES COAST GUARD

THE HONORABLE BILLY TAUZIN, CHAIRMAN

BY

Dr. Steven S. Barnes

Director
National Spill Control School
Corpus Christi State University

April 26, 1993

National Spill Control School

College of Science and Technology, Corpus Christi State University

The National Spill Control School provides state-of-the-art industrial training to organizations handling oil or hazardous materials. By combining the latest scientific knowledge with proven educational techniques, the school sets the standard for industrial training in spill prevention and response technologies, regulations, emergency planning, environmental impacts and risk management. This was recognized by Congress when they named the National Spill Control School as a resource in training and research for the National Response Team in the Oil Pollution Act of 1990.

Since classes began in 1977, NSCS has trained 6,000 participants from more than 90 local, national, and international organizations. Offered at Corpus Christi State University and sites throughout the country, courses include Oil Spill Prevention and Control, Hazardous Materials and Hazardous Wastes Spill Prevention and Control, OSHA/RCRA Hazardous Waste Safety Training, Environmental Monitoring, and Team response to Spill Control. These programs develop the participants' expertise in the chemical and physical properties of hazardous materials, methods of containment, procedures for the rescue and rehabilitation of wildlife, environmental health and toxicology, protective equipment and safety, sampling procedures and communications at the spill scene. Because management skills are vital in spill situations, all NSCS courses emphasize elements of practical management that help prepare professionals for their role in spill prevention and control.

One measure of the preparedness of the oil industry for future oil spills is their willingness to train their personnel in response and cleanup activities. Contingency plans are just paper if they cannot be put into effect. One of the necessary ingredients to make a contingency plan effective is training. Over the last decade there has been a very decided increase in the oil industry's desire for training as measured by the number of inquiries and the number of students attending classes at the National Spill Control School. This increased desire for training is found not only in the industry as a whole, but is especially prevalent in the offshore production and drilling portions of the industry. This desire has indeed presented us with a challenge to develop new course material specific to the offshore industry's needs.

From the perspective of a training organization, the National Spill Control School firmly believes that the oil industry as a whole has accepted the responsibility for the production, storage, and transportation of petroleum and associated products. They have also recognized the need and desire to protect the environment from future oil spills. It is also apparent to us that the offshore industry has been a leader in this movement.

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A Campus of The Texas A&M University System

OFFSHORE
OPERATORS
COMMITTEE

June 7, 1993

Honorable Representative Billy Tauzin
Chairman Subcommittee on Coast Guard and Navigation
Committee on Merchant Marine and Fisheries
Longworth House Office Building, Room 1334
Washington, DC 20515-6230

Dear Mr. Tauzin:

In accordance with your request pursuant to the oversight field hearing on April 26, 1993, we are enclosing supplemental information as follows:

1) The effect of Hurricane Andrew to offshore structures and studies being performed.

2) Certificates of Financial Responsibility and Removal Costs as required by the Oil Pollution Act of 1990 (OPA '90) and its effect on the offshore industry.

We appreciate the opportunity to discuss these issues with you and the subcommittee.

Very truly yours,

Peter Velez

for: Ed Medley, Chairman
Offshore Operators Committee

Enclosures

OFFSHORE OPERATORS COMMITTEE • POST OFFICE BOX 50781 • NEW ORLEANS, LOUISIANA 70150

ADDENDUM TO WRITTEN TESTIMONY PRESENTED BY THE OFFSHORE OPERATORS COMMITTEE

HURRICANE ANDREW EFFECT ON OFFSHORE STRUCTURES

In our testimony presented to your subcommittee on April 26, 1993, in New Orleans, we briefly discussed the effect of Hurricane Andrew on offshore oil and gas operations. Hurricane Andrew presented an excellent opportunity to retrospectively study the resilience of offshore platforms and pipelines to environmental wind and wave forces and, consequently, the potential for pollution. The Oil and Gas Industry and the Minerals Management Service (MMS) have initiated several studies to evaluate the extent of damage caused by Andrew to offshore structures and the adequacy of design criteria. The following will serve as a summary of the ongoing work in this area.

In September 1992, less than one month after Hurricane Andrew passed through the Gulf of Mexico, the MMS issued a directive (NTL 92-07) to perform underwater inspections on offshore platforms to search for any damage. This directive applied to all platforms and pipelines located within 50 miles northeast and 35 miles southwest of the path of the hurricane. Final inspection reports must be submitted to MMS by May 1, 1993. In all, about 700 structures will undergo inspection. Immediately following the hurricane, MMS estimated the number of damaged platforms and jackets to be 241 out of a total of about 2000 structures exposed to hurricane force winds. The count of structures damaged has been increased to 296 since the original estimate, but much of this is minor damage (e.g., handrails, missing grating, radio towers, etc.).

The industry, through the American Petroleum Institute (API), initiated its own study of the resilience of offshore platforms subjected to hurricane wave forces. The API had previously formed the API Task Group on Assessment of Existing Platforms to Demonstrate Fitness for Purpose. This Task Group had been addressing structural fitness as a function of seismic safety (earthquakes). The Task Group's objective is to develop guidelines addressing existing platform's fitness for purpose including: criteria, manning conditions, consequences of failure, future time of exposure, ultimate capacity determination, damaged members, and environmental effects. The Task Group's goal is to amend the API's Bulletin RP 2A, the "Recommended Practice of Planning, Designing and Constructing Fixed Offshore Structures", to include existing platform fitness for purpose assessment guidelines. The Task Group plans to issue a draft report in October and present its findings at the MMS International Workshop in December 1993.

As a subset of the API Task Group, several oil and gas companies, the MMS, and the Health and Safety Executive of the U.K. formed a Joint Industry Project (JIP) to fund computer simulations of some of the offshore structures damaged by Hurricane Andrew.

The objectives of the JIP are to: 1) provide a comprehensive database of platforms affected by the hurricane; 2) perform a calibration of methodologies for platform assessment considering loads, resistance, and reliability; and 3) provide input to the API Task Group on platform reassessment guidelines.

Hurricane Andrew passed through a portion of the Gulf of Mexico where a number of aged structures were located as well as new ones. By charting the path of Andrew, plotting platform locations along with pertinent storm related information and synthesizing the information, valuable data concerning the adequacy of present-day design practices can be obtained. The primary thrust of RP 2A is to provide guidance to designers for the design of structures minimizing risk to life and the environment while providing a structure fit for the purpose intended.

Results of information available to date reveal several positive points regarding the safety of offshore operations:

1. Successful and safe evacuation of personnel. In a very short period, more than 2,000 offshore structures were shut-in and an estimated 10,000 workers were evacuated to shore with no fatalities.

2. No loss of well control. Drilling operations suspended by the hurricane were able to maintain well control through shut-in systems, mud control systems, and blow out preventers (BOP).

3. Performance of Subsurface Safety Valves (SSSV). Platforms toppled or damaged by the hurricane caused no reported oil spills from damaged wells due to the outstanding performance of SSSV's.

4. Less structural damage than anticipated. Though the 25- year design criteria was exceeded by Hurricane Andrew, less than 10% of older platforms, built to 25-year storm criteria, were damaged during the hurricane.

5. Industry and MMS distributed information quickly. There was a high degree of interaction and cooperation between government and industry to collect and disseminate damage survey information. Companies initiated prompt action to repair damaged facilities and restart production.

6. Prompt restart of production. Once Andrew had passed and personal hardships were provided for, the industry rapidly manned the evacuated platforms and restarted production if safe to do so.

Hurricane Andrew's fury cost the industry hundreds of millions of dollars in structural damage and deferred production. Except for a pipeline rupture caused by a dragged anchor, there was almost no environmental cost attributable to the industry because of the hurricane. This experience has added to the confidence level that offshore structures can withstand the test of natural forces and serve their intended purpose without impact to the environment.

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CERTIFICATES OF FINANCIAL RESPONSIBILITY AND REMOVAL COSTS

REMOVAL COST REQUIREMENTS

The Oil Pollution Act of 1990 (OPA '90) significantly broadens oil spill liability under federal law by expanding the recoverable costs, raising liability limits and creating new exceptions to liability limitations.

The OPA '90 defines a "responsible party" for liability purposes according to the type of facility. § 1001(32). In general, a responsible party is "any person owning or operating these facilities, except a Federal agency, State, municipality, commission, or political subdivision of a State, or any interstate body, that as the owner transfers possession and right to use the property to another person by lease, assignment, or permit." Where a facility must be licensed, leased or permitted, the responsible party is the licensee, lessee or permittee. Therefore, for an offshore facility, the lessee or permittee of the area in which the facility is located or holder of a right of use and easement (excluding government agencies) is the responsible party. For pipelines, the responsible party is any person owning or operating the pipeline.

The OPA '90 establishes new and higher liability limits for damages and removal costs. For an offshore facility, the liability includes all removal costs plus $75,000,000. The OPA '90 limits must be adjusted every 3 years to reflect significant increases in the Consumer Price Index. § 1004(d)(4). The OPA '90 explicitly assigns liability to each responsible party for all removal costs and a variety of public and private damages. § 1002(a). Removal includes costs to "prevent, minimize, or mitigate" oil pollution from a discharge or substantial threat of discharge of oil. § 1001(31). "Removal" includes the "containment and removal of oil or a hazardous substance from water and shorelines or the taking of other actions as may be necessary to minimize or mitigate damage to the public health or welfare, including, but not limited to, fish, shellfish, wildlife, and public and private property, shorelines, and beaches." §1001(30).

Other damages for which a responsible person may be held liable include damage to natural resources, real or personal property, loss of subsistence use of natural resources, lost revenues, lost profits and earning capacity, and net costs for increased or additional public services during or after removal activities. § 1002(b). Although prior law by implication permitted claims for certain of these damages under state law, common law or federal statutes, the OPA '90 explicitly authorizes recovery of this broad variety of damages, backed by the oil spill fund. OPA '90 also expands the potential recovery for natural resource damages.

In addition to claims by government and natural resources trustees, the new law allows private persons to recover damages. Government entities and private parties may present any claims directly to a guarantor who provides evidence of financial responsibility (up to the relevant limits) as well as to the responsible party. § 1016(f).

There are several ways that a responsible party can forfeit its limitation on liability. The stated liability limits do not apply if the discharge incident was proximately caused by gross negligence or willful misconduct. More significantly, there also is no limit to liability if the spill results from the violation of any of the many new and existing applicable federal safety, construction, or operating regulations. Further, if a responsible party fails to report an incident, fails to cooperate on removal activities, or fails to obey an administrative order under the Clean Water Act (CWA) Section 311, then liability is not limited. § 1004(c)(2).

The owner or operator of an Outer Continental Shelf (OCS) facility or a vessel carrying oil as cargo from such a facility must bear **all** removal costs incurred by the federal government or any State or local official or agency, regardless of the stated limits. § 1004(c)(3).

CERTIFICATE OF FINANCIAL RESPONSIBILITY REQUIREMENTS

The OPA '90 will force offshore facilities to demonstrate increased financial responsibility, once the Minerals Management Service promulgates new regulations. § 1016. States may also enforce these requirements. § 1019.

Each responsible party for offshore facilities must establish and maintain evidence of financial responsibility sufficient to meet its maximum amount of liability (assuming that liability limits apply). For an offshore facility, which has no limit for removal costs, that amount is $150,000,000. § 1016(c). If a responsible party owns or operates more than one facility, the evidence of financial responsibility need only cover the amount of maximum liability applicable to the vessel or facility having the greatest maximum liability. §1016(a),(c). A party may show evidence of financial responsibility through insurance, a surety bond, guarantee, letter of credit, qualification as a self-insurer, or other means. The Secretary of the Department of Transportation (for vessels) or the President (for facilities) may establish additional specific requirements under this section. § 1016(e).

This new limit of $150,000,00 is a significant increase from the existing limit of $35,000,000. Offshore facilities have operated in the Gulf of Mexico for more than 40 years. Historical data have shown that spills from exploration and production activities are relatively small in number and volume when compared to spills from transportation-related operations such as tankers. The environmental damage from production activity spills has historically been very minimal and temporary. In addition, many offshore facilities which produce at a high natural gas to oil ratio which have a very low spill risk are impacted by the certificate of financial responsibility.

As older fields become uneconomic for the large operators, independent operators have become more prevalent in the offshore waters. Many of these smaller operators will find it extremely difficult or impossible to obtain guarantees for the new higher limits and will be forced to surrender the leasehold. Older fields will become uneconomic at an accelerated rate.

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